Yerbaé®

# Management's Discussion and Analysis

For the three-month and six-month periods ended June 30, 2023, and 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022

The following has been prepared for the purposes of providing management's discussion and analysis ("**MD&A**") of the financial position of Yerbaé Brands Corp. ("**Yerbaé**" or the "**Company**") as of June 30, 2023. This MD&A is dated August 28, 2023, and should be read in conjunction with the Company's condensed consolidated interim financial statements for the three-month and six-month periods ended June 30, 2023 and 2022 and the notes related thereto. The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. All amounts in this MD&A are expressed in US dollars unless otherwise indicated.

## NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain "forward looking information" within the meaning of applicable securities laws in Canada. Forward looking information may relate to the Company's future financial outlook and anticipated events or results and may include information regarding the Company's financial position, business strategy, growth strategies, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding the Company's expectations of future results, performance, achievements, prospects or opportunities or the markets in which it operates is forward looking information. In some cases, forward looking information can be identified by the use of forward looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward looking information. Statements containing forward looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances. Forward-looking statements in this MD&A include, but are not limited to, statements relating to:

- the Company's expectations regarding industry trends, overall market growth rates and Yerbaé's growth rates and growth strategies;
- the Company's ability to obtain funding for its operations;
- the use of available funds;
- the performance of the Company's business and operations;
- the Company's expectations regarding revenues, expenses, and anticipated cash needs;
- the intention to grow the Company's business and operations;
- the expected timing and completion of the Company's near-term objectives;
- laws and regulations and any amendments thereto applicable to the Company;
- the Company's competitive advantages and business strategies;

- the Company’s future product offerings;
- the Company’s plans with respect to the payment of dividends; and
- the market price for the common shares (the “**Common Shares**”) in the capital of the Company.

The forward-looking information in this MD&A is based on the Company’s opinions, estimates and assumptions in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that it currently believes are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct.

In providing forward-looking information, Yerbaé have made certain assumptions in respect of: its ability to build its market share; the performance of the Company’s business and operations; the Company’s ability to retain key personnel; its ability to maintain and expand geographic scope; its ability to execute on it expansion plans; criticism of energy drink products and/or the energy drink market; economic downturn and continued uncertainty in the financial markets and other adverse changes in general economic or political conditions, as well as other major macroeconomic phenomena; net revenues derived entirely from energy drinks; increased competition; relationships with co-packers and distributors and/or their ability to manufacture and/or distribute the Company’s products; relationships with existing customers; changing retail landscape; increases in costs and/or shortages of raw materials and/or ingredients and/or fuel and/or costs of co-packing; failure to accurately estimate demand for its products; history of negative cash flow and no assurance of continued profitability or positive EBITDA (as defined below); intellectual property rights; maintenance of brand image or product quality; retention of the full-time services of senior management; the Company’s ability to continue investing in its products to support the Company’s growth; its ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; the changes and trends in the Company’s industry or the global economy; the size of the target markets for the Company’s products; its ability to maintain, expand and protect its intellectual property; and the changes in laws, rules, regulations, and global standards.

The forward-looking information in this MD&A is subject to known and unknown risks and other factors that may cause the actual results, level of activity, performance, or achievements to be materially different from those expressed or implied, including but not limited to the risks described below and the additional risks factors described under the heading “*Risk Factors*”.

In evaluating forward-looking statements, current and prospective shareholders should specifically consider various factors, including the risks outlined under the headings “*Financial Instruments and Risk Management*” and “*Risk Factors*”.

The forward-looking statements contained in this MD&A reflect the Company’s views and assumptions only as of the date of this MD&A. The Company undertakes no obligation to update or revise any forward-looking statements after the date on which the statement is made, except as required by applicable laws, including the securities laws of Canada.

Actual results could differ materially from those anticipated in forward-looking statements stated within the MD&A.

## BUSINESS OVERVIEW

Yerbaé is an innovative and health-focused beverage company that creates clean functional plant-based products promoting a healthy lifestyle while leaving a cleaner footprint behind us. Yerbaé was the first to mix plant-based ingredients and sparkling water with zero sugar, calories, and carbohydrates to produce an energy seltzer that performs without compromise.

Yerbaé was founded in 2016 to create a plant-based energy beverage containing non-genetically modified organism ("**GMO**") White Tea and Yerba Mate, a South American herb and a natural source of caffeine that is sustainably sourced from South America. Yerbaé's first beverage was launched in 2017 and in stores by the fall of 2017. Yerbaé is engaged in the development, marketing, sale, and distribution of plant-based energy beverages.

Yerbaé beverages are created to provide products targeted at consumers seeking healthier beverages as an alternative to traditional energy drinks and consumers focused on health, wellness, and fitness. The products are formulated to provide a more refreshing taste than coffee, with additional benefits to existing sodas and sparkling waters, along with healthier ingredients compared to traditional energy drinks. Yerbaé's products complement a variety of healthy lifestyles and diets, such as non-GMO, Keto, Vegan, Kosher, Paleo, and gluten-free diets. As of June 30, 2023, Yerbaé's products are sold and available on Amazon.com, www.Yerbaé.com and sold in over 14,000 retail locations in the US marketplace.

## CORPORATE INFORMATION

Yerbaé was amalgamated pursuant to the provisions of the *Business Corporations Act* (British Columbia) ("**BCBCA**") on February 8, 2023, by articles of amalgamation whereby Kona Bay Technologies Inc. ("**Kona Bay**"), as Yerbaé was then known, and 1362283 B.C. Ltd. ("**FinCo**"), a then wholly owned subsidiary of Kona Bay, amalgamated to form "Yerbaé Brands Corp.". Kona Bay was incorporated pursuant to the provisions of the BCBCA on June 30, 2003, and FinCo was incorporated pursuant to the provisions of the BCBCA on May 11, 2022.

The Common Shares of Yerbaé began trading on the TSX Venture Exchange ("**TSXV**") under the trading symbol "YERB.U" on February 13, 2023, as a Tier 2 industrial issuer.

Yerbaé's head office is located at 18801 N. Thompson Peak Parkway, Suite D-380, Scottsdale, Arizona 85255. Its registered and records office is located at 800-885 West Georgia Street, Vancouver, British Columbia, V6C 3H1 and its website is www.Yerbaé.com.

Yerbaé is a registered trademark of the Company in the United States.

## Intercorporate relationships

The following table describes Yerbaé's subsidiaries, their place of incorporation, continuance or formation, and the percentage of the outstanding voting securities beneficially owned, controlled, or directed by Yerbaé:

| Name of Subsidiary | Percentage of Voting Securities Owned | Jurisdiction of Incorporation or Continuance |
|---|---|---|
| Yerbaé Brands Co. | 100% | Delaware |
| Yerbaé LLC | 100% | Delaware |

Yerbaé Brands Co. was incorporated under the State of Delaware *General Corporation Law* on August 21, 2020. Yerbaé LLC was organized under the State of Delaware Limited *Liability Company Act* on May 18, 2016.

## Operations

Yerbaé's operations team and headquarters are based in Scottsdale, Arizona. As of June 30, 2023, Yerbaé had 23 employees. Yerbaé develops, markets, sells, and distributes plant-based energy beverages. Yerbaé does not directly manufacture its beverages, but instead outsources the manufacturing process to established third-party co-packers. Yerbaé sources and provides its co-packers and production partners with Yerbaé's recipes, ingredient blends, flavors, cans, and other raw materials to produce Yerbaé's beverages. All raw materials are sourced by Yerbaé at fair market pricing.

Yerbaé does not own any property, office space, storage space, bottling facilities, or retail spaces. Yerbaé currently leases office space in Scottsdale, Arizona. Although Yerbaé's business is not cyclical, seasonality is typical in the beverage industry. Yerbaé produces and sells its products throughout the entire year with the highest sales volumes generally occurring in the second and third quarters (spring & fall) while the first and fourth quarters tend to be slightly lower.

Yerbaé products are currently only sold in the United States.

Yerbaé's products were sold in roughly 8,000 retail locations in 2022, and now Yerbaé sells in approximately 14,000 retail locations 2023. In the three-month period ended June 30, 2022, Yerbaé had $1.8M in net sales which grew to $4.1M in net sales for the same period in 2023. In the six-month period ended June 30, 2022, Yerbaé had $3.4M in net sales which grew to $7.6M in net sales for the same period in 2023.

**Principal products or services**

Yerbaé offers two primary beverage lines with a total of fourteen flavors. Yerbaé's two primary product lines are the 12oz Plant-Based Energy Seltzer Water and 16oz Plant-Based Energy Drink.

*12oz Energy Seltzer Water*

Yerbaé's unsweetened Energy Seltzer Water line is served in a 12oz can with zero sugar and zero calories. The beverage offers a lighter flavor than the 16 oz Energy Drink line and contains 100mg of caffeine.

*16oz Energy Drink*

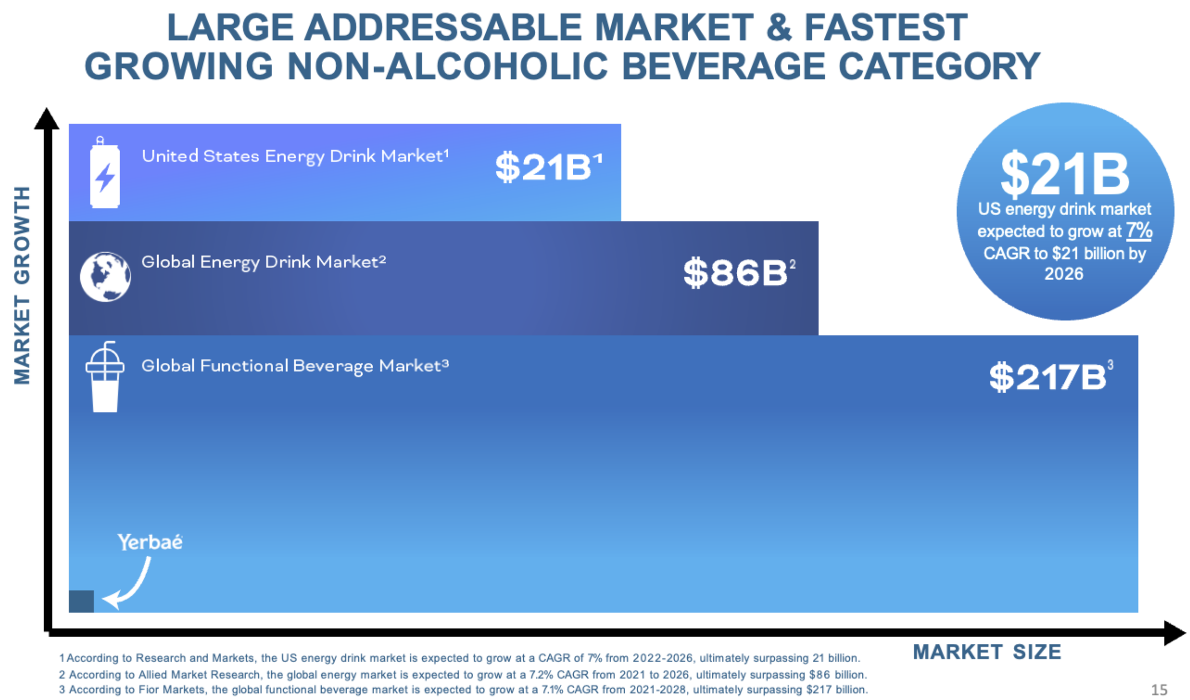
Yerbaé's zero calorie 16oz Energy Drink line was introduced to the market in 2020 to provide consumers with a greater energy boost. The flavor is more full-bodied than the 12oz Energy Seltzer Water and uses non-GMO Stevia as the sweetener.

Products are generally packaged and sold in 12 and 15 can packs for all its flavors as well as variety packs which include an assortment of three flavors. The Company's website also offers a subscription service.

Yerbaé is consistently optimizing its portfolio and innovating new flavors to continuously deliver a new and fresh flavor profile for the ever-changing taste buds of consumers. Yerbaé also intends to continue to build sales and distribution throughout the United States through its distribution channels and increasing consumer brand awareness through its marketing efforts.

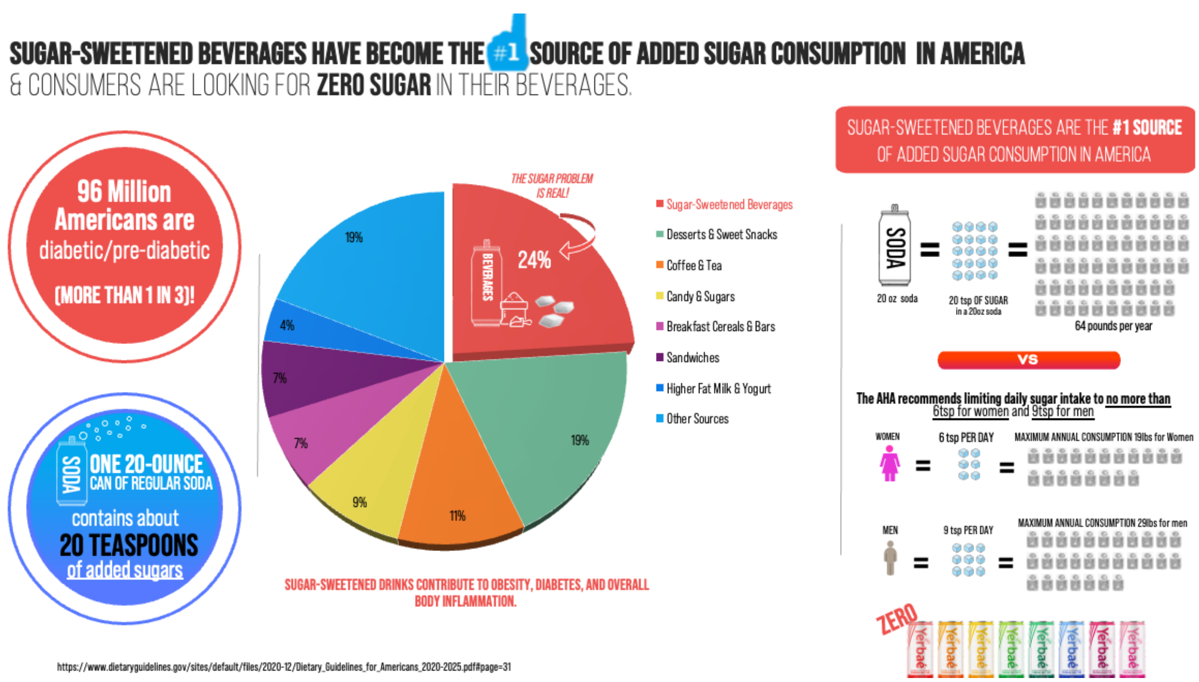
**The Market**

Yerbaé competes in a large and fast-growing market that is driven by an increased demand for energy drinks with a diverse nutritional profile and an increased adoption of healthy lifestyles since the COVID-19 pandemic. The US energy-drink industry is estimated to be a $15 billion industry and it represents the fastest growing category within the non-alcoholic beverage space, rapidly gaining share from soft drinks and juices. Over the last year, the energy drink category has seen 8% sales growth compared to 2.8% for all beverages. The U.S. energy drink industry is estimated to reach $21 billion in sales by 2026, reflecting a 7% compound annual growth rate (see table below).




## The Market Opportunity

Many consumers are looking for functional beverages with cleaner ingredients and zero sugar, and Yerbaé believes it is uniquely positioned to be a significant player in this large addressable market and fastest growing non-alcoholic beverage category.



**Strategy**

Yerbaé is a naturally caffeinated beverage that is revolutionizing the clean energy space with its clean, simple, and delicious beverage lineup that gives the body energy from its plant-based functional ingredients with Zero Compromise! With 100% commitment to Zero, Yerbaé has successfully sold over 31 million cans of product.

Every part of Yerbaé was created to fit today's modern diets and serve wellness forward consumers.

Yerbaé's products were formulated with five key pillars in mind:

1. ***Plant Power*** – Utilizes the power of plants as the source of energy.

2. ***Anti-Inflammation*** – Created with Zero sugar, calories, and carbohydrates or other inflammatory ingredients.

3. ***Diet Friendly*** – Gluten-free, non-GMO, Keto, Paleo, Vegan, Kosher, & diabetic friendly.

4. ***Sustainability*** – Zero Single-use plastic bottles.

5. ***Simple-Clean-Delicious***

**Marketing**

Yerbaé has undertaken significant marketing efforts aimed at building sales and brand awareness, including digital, social media, sponsorships, TV, and podcasts. Yerbaé also undertakes various promotions at the retail level such as display activity, coupons, and other in-store incentives.

**Distribution Channels**

Since the initial product launch in 2017, Yerbaé has sold over 31 million cans of Yerbaé. Yerbaé's line of products are currently available in over 14,000 retail locations in the US marketplace. Yerbaé sells across many retail segments that include wholesale club stores, convenience stores, drug stores, grocery stores, natural food stores, mass merchants, food services, and direct to consumer, as well as health clubs, gyms, Yoga Studios, and quick serve restaurants.

Yerbaé uses four main distribution channels to deliver its products to retailers and consumers in the United States:

1. ***Broadline Distribution*** – This distribution channel consists of retailers that use third party warehouse distribution centers for delivery to their retail outlets such as Vistar, Kehe, United Natural Foods, Inc., and others.

2. ***DSD (Direct Store Delivery)*** – This distribution channel comprises of local distributors who service nationally-recognized brands, or other independent distribution networks that deliver directly to retail stores and merchandise the products on Yerbaé's behalf.

3. ***Direct Distribution*** – Yerbaé sells its products directly to the retailer and then ships them

to retailer owned warehouses for store distribution and merchandising.

4. ***Direct to Consumer (D2C)*** – Yerbaé sells directly to consumers through e-commerce platforms such as Amazon and the Company's own website.

## OVERVIEW

For the three-month period ended June 30, 2023 ("**2023 Q2**"), Yerbaé saw an increase in its net revenues by approximately 122% to 4.1 million, from 1.8 million over the same period in 2022. For 2023 Q2, Yerbaé experienced significant growth in revenues due to higher velocity in existing stores as well as new store distribution.

### Inflation

During the reporting period, Yerbaé faced the challenges of rising inflationary pressures in the United States. Inflation can have a significant impact on the Company's operations as it affects the costs of raw materials, packaging, transportation, and other production inputs. The Company experienced increased costs across its supply chain due to higher prices of commodities, including key ingredients and packaging materials.

## REVERSE TAKEOVER TRANSACTION

### Arrangement Agreement

On May 19, 2022, Yerbaé (formerly Kona Bay) entered into a definitive arrangement agreement and plan of merger, as amended on August 31, 2022, and February 8, 2023 (collectively, the "**Arrangement Agreement**"), with Yerbaé Brands Co. ("**Yerbaé US**"), Kona Bay Technologies (Delaware) Inc. ("**Merger Sub**"), a wholly owned Delaware subsidiary of Kona Bay, FinCo, a wholly owned British Columbia subsidiary of Kona Bay, and Todd and Karrie Gibson, with respect to the proposed merger and business combination of Kona Bay with Yerbaé US (the "**Transaction**").

On February 8, 2023, the Transaction was completed (the "**Closing**") by way of a reverse triangular merger conducted pursuant to: (i) the provisions of the DGCL in which Merger Sub merged with and into Yerbaé US, and (ii) a plan of arrangement conducted pursuant to the provisions of the BCBCA, which resulted in the amalgamation of Kona Bay (now Yerbaé) with FinCo (the "**Amalgamation**"). In connection with the Closing, Kona Bay (now Yerbaé) consolidated its outstanding common shares (each, a "**Common Share**") based on 5.8 pre-consolidation Common Shares for every one post-consolidation Common Share prior to the completion of the Amalgamation and changed its name from "Kona Bay Technologies Inc." to "Yerbaé Brands Corp.".

### FinCo Financing

Concurrent with the Closing, FinCo closed a non-brokered private placement of 2,015,163 FinCo subscription receipts (each, a "**FinCo Subscription Receipt**") at a price of $1.23 per FinCo Subscription Receipt for gross aggregate proceeds of $2,478,650. Immediately prior to the Amalgamation, each FinCo Subscription Receipt automatically converted, without payment of any additional consideration, into one common share of FinCo (each, a "**FinCo Share**") and one FinCo Share purchase warrant (each, a "**FinCo Warrant**"). At Closing, the FinCo Shares and FinCo Warrants were exchanged for Common Shares and Common Shares purchase warrants (each, a "**Warrant**") of Yerbaé. Accordingly, each replacement Warrant entitles the holder to acquire one Common Share at a price of $1.50 per Common Share until 5:00 p.m. (Vancouver time) for a period of eighteen (18) months, subject to an acceleration right whereby, in the event that the Common Shares have a closing price on a recognized North American securities exchange of $2.50 or greater per share for a period of thirty (30) consecutive trading days, Yerbaé may accelerate the expiry date of the Warrants by giving notice to the holder thereof (by disseminating a news release advising of the acceleration of the expiry date of the Warrants) and, in such case, the Warrants will expire on the thirtieth ($30^{th}$) day after such notice (the "**Acceleration Right**"). Cash finder's fees of $45,221 were paid in connection with the financing.

**Convertible Promissory Notes**

In connection with the financing of FinCo, Yerbaé US issued an aggregate of $4,500,000 in convertible promissory notes (collectively, the "**Convertible Promissory Notes**") to certain arm's length parties to each of Yerbaé and Yerbaé US. The Convertible Promissory Notes accrued interest at a rate of 8% per year, calculated annually, and were payable on the earlier of: (a) the date that is twelve (12) months from the issue date; or (b) the date of conversion in full of the outstanding and unpaid principal amount, together with all accrued but unpaid interest under the Convertible Promissory Notes. If the Closing occurred within one hundred and eighty (180) days of the issuance date, the interest rate reduced to zero (0%) percent.

Of the Convertible Promissory Notes, an aggregate of $3,000,000 in principal were convertible into units of Yerbaé US (each, a "**Yerbaé US Unit**") at a conversion price of $0.68 per Yerbaé US Unit: (a) automatically upon the occurrence of a liquidity event (as such term is defined in the Convertible Promissory Notes); or (b) at the sole discretion of the holder, upon maturity. Each Yerbaé US Unit consisted of one Non-Voting Common Stock – Class D-3 common stock of Yerbaé (each, a "**Yerbaé US Share**") and one Yerbaé US Share purchase warrant (each, a "**Yerbaé US Warrant**"), with each Yerbaé US Warrant entitling the holder thereof to purchase one additional Yerbaé US Share (each, a "**Yerbaé US Warrant Share**") at a price of US$0.85 per Yerbaé US Share for a period of three (3) years. The remaining $1,500,000 aggregate principal amount in Convertible Promissory Notes were convertible at a conversion price of $1.23 per Yerbaé US Unit on the same conversion terms, with each such Yerbaé US Unit consisting of Yerbaé US Share and one Yerbaé US Warrant and with each such Yerbaé US Warrant entitling the holder thereof to purchase one Yerbaé US Warrant Share at a price of $1.50 per Yerbaé Warrant Share for a period of eighteen (18) months from the date of issue, subject to the Acceleration Right.

**Securities at the Closing of the Transaction**

At the time of Closing, an aggregate of 54,493,953 Common Shares of Yerbaé were issued and outstanding, of which: 35,848,290 Common Shares were issued to the former Yerbaé US shareholders (inclusive of an aggregate of 5,631,276 Shares issued to former holders of an aggregate of $4,500,000 in Convertible Promissory Notes of Yerbaé US converted immediately prior to Closing), 8,000,000 performance Common Shares (each, a "**Performance Share**") were issued to certain individuals, which Performance Shares were placed in escrow and are to be released upon the completion of certain performance-based incentives related to the listing of the Common Shares on the TSX Venture Exchange ("**TSXV**"), future equity financings, and certain trailing gross revenue targets, 3,153,746 Common Shares were issued to the former holders of Warrants exercised in connection with the Closing, and 2,015,163 Common Shares were issued to former holders of the FinCo Subscription Receipts.

In addition, the 1,087,752 options to purchase shares of common stock (each, a "**Yerbaé US Share**") of Yerbaé US which were outstanding immediately prior to Closing were cancelled and the holders thereof were granted an aggregate of 1,087,752 options to purchase Common Shares (each, an "**Option**"), 1,754,464 warrants to purchase Yerbaé US Shares which were outstanding immediately prior to Closing were cancelled and the holders thereof were granted an aggregate of 1,754,464 replacement Warrants, and 2,015,163 FinCo Warrants which were outstanding immediately prior to Closing were cancelled and the holders thereof were granted an aggregate of 2,015,163 replacement Warrants.

In connection with the Closing, the parties paid customary advisory fees to an eligible arm's length third party finder (the "**Finder**"), in consideration for the Finder's services in facilitating the identification, negotiation and implementation of the Transaction which consisted of the issuance of 507,662 Common Shares, as well as a cash payment of $200,000.

For additional information on the Transaction, please see the information circular of Yerbaé (formerly Kona Bay) dated November 13, 2022, available on SEDAR+ at www.sedarplus.ca.

## HIGHLIGHTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

**Highlights during and subsequent to the six-month period ended June 30, 2023, include:**

- On February 8, 2023, the Company completed the closing of the RTO Transaction as described above.

- On February 13, 2023 the Common Shares of Yerbaé began trading on the TSX-V under the trading symbol "YERB.U" as a Tier 2 industrial issuer.

- On April 13, 2023, Yerbaé successfully closed the first tranche of a private placement offering of unsecured convertible debenture units (each, a "**Debenture Unit**") at a price of $1,000 per Debenture Unit, pursuant to which first tranche consisted of 1,650 Debenture Units for gross proceeds of $1,650,000. Following the closing of the first tranche, Yerbaé closed the second tranche of the Debenture offering on May 5, 2023, pursuant to which second tranche consisted of 2,152 Debenture Units for gross proceeds of $2,152,000. Each Debenture Unit consisted of: (i) one (1) $1,000 principal amount in unsecured convertible debenture (each, a "**Debenture**"); and (ii) 714 warrants. The Company raised gross aggregate proceeds of $3,802,000 between the two closings. The Debentures mature on April 30, 2025 (the "**Maturity Date**") and bear interest at a rate of 6.0% per annum, payable on the earlier of the Maturity Date or the date of conversion of the Debentures. The interest will be payable in common shares to be determined at the Market Price (as that term is defined in the Policies of the TSXV). The principal amount of the Debentures will be convertible at the holder's option into common shares at any time prior to the close of business on the earlier of: (i) the last business day immediately preceding the Maturity Date, and (ii) the date fixed for redemption in the case of a change of control, at a conversion price of $1.40 per Common Share (the "**Conversion Price**"), subject to adjustment in certain customary events. Each Warrant entitles the holder thereof to acquire one common share (each, a "**Warrant Share**") at a price per Warrant Share of $1.70 at any time prior to the Maturity Date, subject to an acceleration right whereby, if, in the event the Common Shares have a daily volume weighted average trading price on the TSXV (or such other recognized North American securities exchange) of $3.00 or greater per common share for any 10 consecutive trading day period at any time after the date that is four months following the issuance of the warrants, the Company may accelerate the expiry of the warrants by giving notice to the holders thereof (by disseminating a news release advising of the acceleration) and, in such case, the warrants will be deemed to have expired on the day which is 30 days after the date of such notice.

- On April 14, 2023, the Company announced an expansion in distribution with Largest Club Store Chain in the United States.

- On April 24, 2023, the Company announced an expansion in Distribution with Compass Group North America to 10,000 Locations Across 24 States.

- On May 15, 2023, the Company announced an expansion with Hannaford Supermarkets to 185 Stores Across the Northeast United States.

- On May 23, 2023, the Company announced a new credit facility agreement of US$2.5 million from Oxford Bank to Fuel Growth and Expansion.

- On June 26, 2023, the Company achieved OTCQX® Best Market Qualification and attained DTC eligibility.

- On July 13, 2023, Yerbaé Launched Two New Flavors - Lemonade and Yuzu Lime Across 348 Sprouts Farmers Market Stores.

- On July 14, 2023, the Company announced Record Sales in Ecommerce by Over 30% on Amazon Prime Day.

- On July 19, 2023, the Company announced its expansion in the Southeast region of the largest club store chain in the United States. The expansion now includes presence in 75 additional stores across eight states: Florida, Georgia, Alabama, North Carolina, South Carolina, Tennessee, Mississippi, and Puerto Rico.

- On August 21, 2023, the Company announced the first closing of a private placement which included subscriptions by several prominent figures in the sports and entertainment industries, which consisted of the issuance by the Company of 2,219,629 units for aggregate gross proceeds of $4,061,921.

- On August 21, 2023, the Company also announced the establishment of a new Sports & Entertainment Board, comprised of prominent celebrities and sports stars. This advisory committee, which will include individuals renowned for their achievements and influence in their respective fields, will play a pivotal role in guiding Yerbaé's strategic decisions, brand positioning, marketing campaigns and product innovation.

- On August 23, 2023, the Company announced a partnership with Richmond Flowers, a former NFL player and coach and the visionary founder of QB Collective and Collective Sports Advisors – football's premier identification, development, and representation ecosystem.

## SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information for the three-month and six-month periods ended June 30, 2023 and June 30, 2022. The selected financial information set out below has been derived from the unaudited condensed interim financial statements and accompanying notes, in each case prepared in accordance with IFRS. The selected financial information set out below may not be indicative of the Company's future performance. The following discussion should be read in conjunction with the financial statements.

| | **As at June 30, 2023** | **As at December 31, 2022** |
|---|---:|---:|
| Cash | 981,570 | 856,547 |
| Current Assets | 2,774,280 | 2,839,722 |
| **Total Assets** | **3,157,329** | **3,371,333** |
| Current Liabilities | 3,616,401 | 8,212,892 |
| Long Term Liabilities | 3,622,816 | 576,795 |
| **Total Liabilities** | **7,239,217** | **8,789,687** |

| | Three-Month Period Ended | | Six-Month Period Ended | |
|---|---|---|---|---|
| | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 |
| | $ | $ | $ | $ |
| **Total Revenue** | **4,277,087** | **2,091,141** | **7,968,449** | **3,738,377** |
| **Net Revenue** | **4,104,093** | **1,849,418** | **7,623,101** | **3,379,852** |
| Cost of Goods Sold | 1,793,440 | 578,958 | 3,550,455 | 1,098,241 |
| **Gross Profit** | **2,310,653** | **1,270,460** | **4,072,646** | **2,281,610** |
| SG&A | 5,228,570 | 2,991,418 | 9,503,858 | 5,463,315 |
| One Time RTO Non Cash Expenses | 9,134,865 | - | 20,907,769 | - |
| Other Non Cash Expenses | 1,035,921 | 59,355 | 1,986,189 | 77,698 |
| Net Other (Income)/Expense | 64,520 | 37,292 | 1,353,655 | 64,358 |
| **Loss Before Income Taxes** | **(13,153,223)** | **(1,817,605)** | **(29,678,824)** | **(3,323,760)** |
| Income Taxes | - | - | - | - |
| **Net Loss** | **(13,153,223)** | **(1,817,605)** | **(29,678,824)** | **(3,323,760)** |
| Basic Loss Per Share | (0.24) | (0.06) | (0.59) | (0.11) |
| Adjusted EBITDA | (2,918,669) | (1,720,958) | (5,431,963) | (3,181,705) |

## RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA

| | Three-Month Period Ended | | Six-Month Period Ended | |
|---|---|---|---|---|
| | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 |
| | $ | $ | $ | $ |
| **Net Loss** | **($13,153,223)** | **(1,817,605)** | **(29,678,824)** | **(3,323,760)** |
| Non Cash Listing Expense (RTO) | 9,134,865 | - | 20,907,769 | - |
| Non Cash Warrant Expense | 303,275 | - | 1,185,591 | - |
| Non Cash Accretion Expense | 33,240 | - | 1,276,190 | - |
| Stock Based Compensation Expense | 722,966 | 43,280 | 778,247 | 43,280 |
| Interest Expense | 30,528 | 37,292 | 76,713 | 64,358 |
| Depreciation Expense | 9,679 | 16,075 | 22,351 | 34,418 |
| **Adjusted EBITDA** | **(2,918,669)** | **(1,720,958)** | **(5,431,963)** | **(3,181,705)** |

## NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA is a non-GAAP financial measure. Adjusted EBITDA is defined as net income or loss before income taxes, net financial (income) expenses, depreciation and amortization, and stock-based compensation expense. The exclusion of net finance expense eliminates the impact on earnings derived from non-operational activities, and the exclusion of depreciation, amortization and share-based compensation eliminates the non-cash impact of these items. Management believes that adjusted EBITDA is a useful measure of financial performance without the variation caused by the impacts of the items described above because it provides an indication of the Company's ability to seize growth opportunities in a cost-effective manner and finance its ongoing operations. Excluding these items does not imply that they are necessarily non-recurring. Management also believes this non-GAAP financial measure, in addition to conventional measures prepared in accordance with IFRS, enable investors to evaluate the Company's operating results, underlying performance and future prospects in a manner similar to management. Although Adjusted EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, it has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under IFRS.

This non-GAAP financial measure is not an earning or cash flow measure, or a measure of financial condition, recognized by IFRS and it does not have a standardized meaning prescribed by IFRS. Management's method of calculating this financial measure may differ from the methods used by other issuers and, accordingly, its definition of this non-GAAP financial measure may not be comparable to similar measures presented by other issuers. Investors are cautioned that non-GAAP financial measures should not be construed as an alternative to net income determined in accordance with IFRS as indicators of the Company's performance or financial condition, or to cash flows from operating activities as measures of liquidity and cash flows.

## ACCOUNTING TREATMENT OF REVERSE TAKEOVER TRANSACTION

In accounting for Transaction, consideration was determined by the market value of the common shares of Kona Bay (now Yerbaé) plus and/or minus Kona Bay's assets and liabilities, at Closing. The resulting consideration of the Transaction was $10.4M and is reflected in the income statement as "One Time RTO non cash expense" with the offsetting entry booked to Additional Paid in Capital. It should be noted that this expense is a non-cash expense. For a full description of the Transaction, see "*Reverse Takeover Transaction*" above.

## RESULTS OF OPERATIONS

### For the three-months ended June 30, 2023

### Net Revenue

Yerbaé successfully grew its net revenue 122% for the three-month period ended June 30, 2023. Net revenue increased to $4.1M for the three-month period ended June 30, 2023, compared to $1.8M for same period in 2022. This growth was mainly driven through same store sales increase as well as expansion of new stores during the quarter and the expansion of new flavors such as Lemonade and Yuzu lime.

### Cost of Sales

Costs of sales increased to $1.8M for the three-month period ended June 30, 2023, compared to $0.6M for the comparative period in 2022. The increase in cost of goods sold was primarily related to the large sales growth, as well as inflationary pressure on raw materials, and increased bottling fees. Cost of sales is primarily comprised of product materials, ingredient costs, bottling, inbound freight and other related expenses.

### Gross Profit and Margin

Gross profit increased to $2.3M for the three-month period ended June 30, 2023, compared to $1.3M for the same period in 2022. Gross margin decreased to 56% of net revenue for the three-month period ended June 30, 2023, compared to 69% of net revenue for same period 2022. This decrease in gross margin was due to an increase cost of goods sold from raw material and bottling inflation as well increase in variety pack co-packing.

### Operating Expenses

Operating expenses include operational, sales, marketing, and administration costs. Operating expenses for the three-month period ended June 30, 2023, were approximately $5.2M, compared to operating expenses of $3.0M for same period in 2022. The primary increases related to ongoing operations were driven by increased advertising and marketing initiatives in 2023 to fuel sales growth, new slotting fees to expand club store presence, shipping fees related to increased sales volumes, higher general and administrative expenses associated with increased field marketing staff and higher professional fees related to completion of reverse takeover transaction between the Company (then known as Kona Bay) Yerbaé Brands Co. (the "**Transaction**") and raising of funds. Operating expenses for the three-month periods ended June 30, 2023 and 2022 are detailed as follows:

| | Three-Month Period Ended | |
|---|---|---|
| | June 30, 2023 | June 30, 2022 |
| | $ | $ |
| Advertising, marketing and promotions | 2,041,029 | 1,287,518 |
| Employee Benefits | 805,337 | 504,233 |
| Outbound Freight | 622,751 | 593,210 |
| Travel Expense | 140,001 | 99,840 |
| Professional Services | 1,033,851 | 164,423 |
| Miscellaneous | 57,071 | 59,330 |
| Slotting Fees | 173,783 | 87,221 |
| Office Expenses | 354,747 | 195,642 |
| **TOTAL** | **$5,228,570** | **2,991,418** |

**One Time RTO Non Cash Expenses**

One time non-cash expenses was driven by the listing expenses and performance share expenses for the issuance of shares per the Transaction, resulting in $9.1M of one-time non-cash expenses in Q2 2023.

**Other Non-Cash Expenses**

The Company incurred other non-cash expenses in Q2 2023 relating to warrants issuance, PSUs, RSUs and stock-based compensation expenses totaling $1.0M in Q2 2023 compared to $0.02M for the same period in 2022. **Other income (expense)**The Company incurred interest and accretion expenses of $64k in 2023 Q2 compared to $0 in 2022 Q2. Interest and accretion expense reflects interest incurred pursuant to the Company’s credit facilities and notes payable.**Net Income/(loss)**The Company generated a net loss of $13.1M for the three-month period ending June 30, 2023 compared to a net loss of $1.8M for same period in 2022. The significant drivers of the increase in net loss are driven by the one-time non-cash costs associated with the Transaction.

## For the six-months ended June 30, 2023

### Net Revenue

Yerbaé successfully grew its net revenue 126% for the six-month period ended June 30, 2023. Net revenue increased to $7.6M for the six-month period ended June 30, 2023, compared to $3.4M for same period in 2022. This growth was mainly driven through same store sales increase as well as expansion of new stores during the quarter and the expansion of new flavors such as Lemonade and Yuzu lime.

### Cost of Sales

Costs of sales increased to $3.6M for the six-month period ended June 30, 2023, compared to $1.1M for the comparative period in 2022. The increase in cost of goods sold was primarily related to the large sales growth in 2023, as well as inflationary pressure on raw materials, and increased bottling fees. Cost of sales is primarily comprised of product materials, ingredient costs, bottling, inbound freight and other related expenses.

### Gross Profit and Margin

Gross profit increased to $4.1M for the six-month period ended June 30, 2023, compared to $2.3M for the same period in 2022. Gross margin decreased to 53% of net revenue for the six-month period ended June 30, 2023, compared to 68% of net revenue for same period 2022. This decrease in gross margin was due to an increase cost of goods sold from raw material and bottling inflation as well increase in variety pack co-packing.

### Operating Expenses

Operating expenses include operational, sales, marketing, and administration costs. Operating expenses for the six-month period ended June 30, 2023, were approximately $9.5M, compared to operating expenses of $5.5M for same period in 2022. The primary increases related to ongoing operations were driven by increased advertising and marketing initiatives in 2023 to fuel sales growth, new slotting fees to expand club store presence, shipping fees related to increased sales volumes, higher general and administrative expenses associated with increased field marketing staff and higher professional fees related to completion of the Transaction and raising of funds. Operating expenses for the six-month periods ended June 30, 2023 and 2022 are detailed as follows:

| | Six-Month Period Ended | |
|---|---|---|
| | June 30, 2023 | June 30, 2022 |
| | $ | $ |
| Advertising, marketing and promotions | 3,985,691 | 2,263,008 |
| Employee Benefits | 1,552,554 | 1,089,137 |
| Outbound Freight | 1,381,351 | 1,096,277 |
| Travel Expense | 273,529 | 207,629 |
| Professional Services | 1,255,574 | 200,683 |
| Miscellaneous | 115,055 | 116,996 |
| Slotting Fees | 333,083 | 158,602 |
| Office Expenses | 607,022 | 330,984 |
| **TOTAL** | **$9,503,858** | **5,463,315** |

### One Time RTO Non Cash Expenses

One time non-cash expenses was driven by the listing expenses and performance share expenses for the issuance of shares per the Transaction, resulting in $20.9M of one-time non-cash expenses for the six-month period ending June 30, 2023.

### Other Non-Cash Expenses

The Company incurred other non-cash expenses for the six-month period ending June 30, 2023 relating to warrant issuance, PSUs, RSUs and stock based compensation expenses totaling $2.0M compared to $0.03M for the same period in 2022

### Other income (expense)

The Company incurred interest and accretion expenses of $1.4M for the six-month period ending June 30, 2023, compared to $0.06M in 2022 same period. Interest and accretion expense reflects interest incurred pursuant to the Company’s credit facilities and notes payable.

### Net Income/(loss)

The Company generated a net loss of $29.7M for the six-month period ending June 30, 2023 compared to a net loss of $3.3M for same period in 2022. The significant drivers of the increase in net loss are driven by the one-time non-cash costs associated with the Transaction.

## LIQUIDITY AND CAPITAL RESOURCES

### Capital Management

On June 30, 2023, the Company had a working capital deficit of $842k compared to a working capital deficit of $5.3M on December 31, 2022. The Company has incurred losses since inception and as of June 30, 2023 had an accumulated deficit of $4.0M, compared to $5.4M on December 31, 2022. The Company's objective in managing its capital is to ensure that there is sufficient liquidity to finance and grow its operations, maximize the preservation of capital, provide adequate capital to fund its business objectives, and deliver competitive returns on invested capital. To fund its activities, the Company has relied on private placement financings, lines of credit, and other forms of debt. For additional information, see "*Risk Factors*" elsewhere in this MD&A.

## SUMMARY OF CASH FLOWS

| | Six-Month Period Ended | |
|---|---|---|
| | June 30, 2023 | June 30, 2022 |
| | $ | $ |
| Cash flow used in operating activities | (5,997,423) | (3,687,672) |
| Cash flow (used in) from financing activities | 6,015,987 | 4,330,026 |
| Cash flow used in investing activities | 106,459 | (54,437) |
| (Decrease) Increase in cash and cash equivalents | 125,023 | 587,917 |
| Cash and cash equivalents, beginning of period | 856,547 | 348,501 |
| **Cash and cash equivalents, end of period** | **981,570** | **936,417** |

### Cash flow used in operating activities

For the six month period ended June 30,2023, operating activities used cash of $6.0M compared to $3.7M for the same period in 2022. This increase in funds used for operating activities in 2023 is mainly attributable to the higher net loss in 2023 due to higher operating, marketing, and general & administrative expenses attributable to increased sales, professional fees, and operational and marketing initiatives undertaken during the year compared to 2022, as well as changes in accounts receivable, inventory, and accounts payable.

### Cash flow used in financing activities

Financing activities resulted in a cash inflow of approximately $6.0M in the six-month period ending June 30, 2023, compared to $4.3M for the same period the prior year. Financing activities during the six month period ended June 30, 2023 included receipt of $3.0.M pursuant to issuance of share capital, the repayment of $500K pursuant to the Capital Asset Investment LLC promissory note, proceeds of $2.4M received pursuant to the line of credit, offset by payments of $2.7M made to the line of credit. Financing activities for the six month period ended June 30, 2023 also included receipt of approximately $3.9M in connection with the brokered private placement offering of Debenture Units. During the same period in 2022, the Company received proceeds of $3.0M through the issuance of a convertible note and $1.6M pursuant to the line of credit, $20,000 proceeds from the issuance of share capital and made payments of $808k to the line of credit.

**Cash flow used in investing activities**

Investing activities from the sale of 3 company vehicles generated cash flow of $106k in the six-month period ending June 30, 2023. For the comparable period in 2022, the Company used $54K to purchase event container setup for tradeshows.

## FINANCIAL POSITION

The following table shows the main variances that have occurred in the Company's financial position as of June 30, 2023 and 2022.

| | June 30, 2023<br>**$** | June 30, 2022<br>**$** | **Variance**<br>**$** | **Significant Contributions** |
|---|---|---|---|---|
| Short Term Liabilities | 3,616,401 | 8,212,892 | (4,596,491) | 2022 debt converted to equity |
| Long Term Liabilities | 3,622,816 | 576,795 | 3,046,021 | 2023 convertible debentures |

## DIVIDEND POLICY

The Company has not paid dividends on its Common Shares since incorporation. The Company's current policy is to retain future earnings to finance its growth. Any future determination to pay dividends will be made at the discretion of the board of directors of the Company (the "**Board**") and will depend on the Company's financial condition, results of operations, capital requirements and other such factors as the Board may deem relevant.

## SELECTED QUARTERLY INFORMATION

The table below presents selected quarterly financial information for the past 8 quarters:

| ***(In thousands of US dollars)*** | **Q2 2023** | **Q1 2023** | **Q4 2022** | **Q3 2022** |
|---|---|---|---|---|
| Net Revenues | $4,104 | $3,519 | $1,870 | $1,918 |
| Adjusted EBITDA (loss) | ($2,919) | ($2,581) | ($2,877) | ($1,416) |
| Net Comprehensive Income (loss) | ($13,153) | ($16,526) | ($4,330) | ($1,450) |
| Basic (loss) per Yerbaé share | ($0.24) | ($0.36) | ($0.14) | ($0.05) |

| *(In thousands of US dollars)* | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 |
|---|---|---|---|---|
| Net Revenues | $1,849 | $1,530 | $1,060 | $1,392 |
| Adjusted EBITDA (loss) | ($1,764) | ($1,479) | ($1,452) | ($969) |
| Net Comprehensive Income (loss) | ($1,818) | ($1,506) | ($1,520) | ($999) |
| Basic (loss) per Yerbaé share | ($0.06) | ($0.05) | ($0.05) | ($0.03) |

**Factors affecting the variability of quarterly results**

There are quarter-over-quarter variations in net revenue that are caused by seasonality, with beverage sales generally being higher in the spring and summer seasons, as well as the effects of sales and marketing campaigns the Company undertakes.

## RELATED PARTIES

**Key Management Personnel**

Related parties of the Company include key management personnel, companies controlled by key management personnel and close family members of key management personnel. Key management personnel are persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, including any directors (whether executive or otherwise) of the Company. Key management personnel are composed of the Board and executive leadership team.

**Related-Party Transactions**

The following fees and expenses were incurred with related parties including current and former key management personnel:

| | Three-Month Period Ended | | Six-Month Period Ended | |
|---|---|---|---|---|
| | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 |
| | $ | $ | $ | $ |
| Salaries | 106,250 | 50,000 | 212,500 | 100,000 |
| Share Based Payment | 343,002 | - | 358,016 | - |
| **Total** | **449,252** | **50,000** | **570,516** | **100,000** |

On January 30, 2023 the Company entered into a loan agreement with a director of the Company. An aggregate of $100,000 was advanced pursuant to the loan agreement and other advances by related parties. As of June 30, 2023, $50,000 is outstanding and included in current notes payable (December 31, 2022 - $nil).

## OUTSTANDING SHARE DATA

Yerbaé is authorized to issue an unlimited number of Common Shares without par value and 100,000,000 preferred shares (each, a "**Preferred Share**") without par value.

| | **As of June 30, 2023** | **As of December 31, 2022** |
|---|---|---|
| Common Shares [(1)] | 54,610,330 | 30,217,566 |
| Preferred Shares | Nil | Nil |
| Warrants[(2)] | 12,424,354 | 7,385,741 |
| Stock Options[(3)] | 2,543,120 | 1,052,669 |
| RSUs[(4)] | 943,755 | Nil |
| PSUs[(5)] | 783,693 | Nil |
| **Fully Diluted Share Total:** | **71,305,252** | **38,655,976** |

(1) The outstanding Common Shares total is inclusive of 8,000,000 performance-based Common Shares issued in connection with the Transaction.

(2) The weighted average strike price of outstanding Warrants is $1.23.

(3) The weighted average strike price of outstanding Options (as defined below) is $0.98.

(4) The RSUs (as defined below) vest after 12 months. 808,041 vest in March 2024. The remaining 135,714 vest in May 2024

(5) The PSUs (as defined below) vest contingent upon and at the time the Company reaches US$12,500,000 in net sales for 2023.

## EQUITY INCENTIVE PLAN

Yerbaé's current Equity Incentive Plan (the "**Plan**"), which was adopted by shareholders on December 21, 2022, became effective on February 8, 2023 in connection with the closing of the Company's (then known as Kona Bay) transaction with Yerbaé Brands Co. The Plan is a rolling omnibus incentive plan for stock options (each, an "Option") and a fixed 10% plan for performance-based awards such as restructure share units ("**RSUs**"), performance share units ("**PSUs**"), and deferred share units (collectively, "**Performance-Based Awards**"), such that the aggregate number of Common Shares that: (i) may be issued upon the exercise or settlement of Options granted under the Plan, shall not exceed 10% of the Company's issued and outstanding Common Shares from time to time, and (ii) may be issued in respect of Performance-Based Awards shall not exceed 5,455,121. Under the Plan, settled or terminated Options or Performance-Based Awards shall be available for subsequent grants under the Plan and the number of awards available to grant increases as the number of issued and outstanding Common Shares increases.

## TRENDS AND SEASONALITY

Yerbaé experiences seasonality and the peak beverage consumption periods are typically in Q2 and Q3, therefore Yerbaé's sales are generally higher in these two quarters due to seasonality in the US. However, this will vary from time to time due to marketing campaigns, new product introductions, and/or other factors and Company initiatives.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Fair value

The Company's financial instruments on June 30, 2023 include cash, accounts receivable, accounts payable and accrued liabilities and notes payable. The fair values of these instruments approximate their carrying values due to their short-term nature.

IFRS 13 *Fair Value Measurement* establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs used in making fair value measurements as follows:

***Level 1*** – Quoted prices in active markets for identical assets or liabilities;
***Level 2*** – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., from derived prices); and
***Level 3*** – Inputs for the asset or liability that are not based upon observable market data.

The fair value of cash is based on Level 1 inputs.

### Liquidity Risk

Liquidity risk is the Company's ability to meet its financial obligations when they come due. The Company is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. It manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities, with the objective of maintaining a balance between continuity of funding and flexibility through borrowing facilities available through its bank and other lenders.

The Company's policy is to ensure that it has adequate funding available from operations and other sources as required. The following are the contractual maturities of the Company's financial obligations, including principal and interest, as of June 30, 2023 :

| | Carrying Amount | Contractual Cash Flow | 0 to 12 Months | 12 to 24 Months | Thereafter |
|---|---|---|---|---|---|
| Accounts Payable | $2,117,794 | $2,117,794 | $2,117,794 | $- | $- |
| Accrued Interest | $1,168 | $1,168 | $1,168 | $- | $- |
| Accrued Expenses | $642,096 | $642,096 | $642,096 | $- | $- |
| Due to LOC | $645,516 | $645,516 | $645,516 | $- | $- |
| Notes Payable | $3,470,621 | $4,231,253 | $89,777 | $39,777 | $4,101,699 |
| Operating Lease Liabilities | $362,022 | $362,022 | $131,915 | $136,557 | $93,550 |
| **TOTAL** | **$7,239,217** | **$7,999,849** | **$3,628,266** | **$176,334** | **$4,195,249** |

**Credit Risk**

Credit risk is the risk that the counter party will not meet its obligations under the financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (preliminary accounts receivable) and from its financing activities, including deposits with banks and financial institutions. The Company places its cash in high credit quality financial institutions, which are federally insured up to prescribed limits, thus reducing the Company's credit risk. At certain times, the amount of cash equivalents at any one institution may exceed the federally insured prescribed limits; however, no losses have incurred to date.

**Market Risk**

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as market interest rates change. The Company is exposed to interest rate risks on its line of credit and other notes payable.

**Capital Management**

The Company's objective when managing capital is to use short-term funding sources to manage its working capital requirements and fund expenditures required to execute its operating and strategic plans. The Company is not subject to any capital requirements imposed by regulators or creditors.

## SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND POLICIES

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, net revenues, and expenses. Actual results may differ from these estimates. Please refer to note 2 in the Company's audited financial statement report for further details.

### Cost of Goods Sold

Cost of goods sold consists of all costs to acquire and manufacture our products, including the cost of ingredients, raw materials, packaging, in-bound freight and third-party production fees. Our cost of goods sold is subject to price fluctuations in the marketplace, particularly in the price of aluminum and other raw materials, as well as in the cost of production, packaging, in-bound freight, and logistics. Our results of operations depend on our ability to arrange for the purchase of raw materials and the production of our products in sufficient quantities at competitive prices. We have long-term contracts with suppliers. We have long-term contracts with certain manufacturers governing pricing and other terms, but these contracts generally do not guarantee any minimum production volumes on the part of the manufacturers.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not currently have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on its financial position, changes in net revenues or expenses, results of operations, liquidity or capital resources that are material.

## SEGMENT REPORTING

The Company's principal business is energy-drink product sales in the US. The Company is involved in developing, marketing, selling, and distributing Yerbaé branded products. This is the Company's only reportable segment.

## RISK FACTORS

***Changes in the caffeinated energy beverage business environment and retail landscape could adversely impact the Company's financial results.***

The caffeinated energy beverage business environment is rapidly evolving as a result of, among other things, changes in consumer preferences, including changes based on health and nutrition considerations and obesity concerns; shifting consumer tastes and needs; changes in consumer lifestyles; and competitive product and pricing pressures. In addition, the caffeinated energy beverage retail landscape is very dynamic and constantly evolving, not only in emerging and developing markets, where modern trade is growing at a faster pace than traditional trade outlets, but also in developed markets, where discounters and value stores, as well as the volume of transactions through e-commerce, are growing at a rapid pace. If Yerbaé is unable to successfully adapt to the rapidly changing environment and retail landscape, its share of sales, volume growth and overall financial results could be negatively affected.

***Intense competition and increasing competition in the commercial beverage market could hurt Yerbaé's business.***

The commercial retail beverage industry, and in particular its functional caffeinated energy beverage segment is highly competitive. Market participants are of various sizes, with various market shares and geographical reach, some of whom have access to substantially more sources of capital.

Yerbaé will compete generally with all commercial beverages, including specialty beverages, such functional energy drinks. Yerbaé will compete indirectly with major international beverage companies including, but not limited to: the Coca Cola Company, Dr. Pepper Snapple Group, PepsiCo, Inc., Nestle, Waters North America, Inc., Hansen Natural Corp. and Red Bull. These companies have established market presence in the United States, and offer a variety of beverages that are substitutes to Yerbaé's products. Yerbaé faces potential direct competition from such companies, because they have the financial resources, and access to manufacturing and distribution channels to rapidly enter the energy beverage market.

Yerbaé will compete directly with other beverage producers and brands focused on the emerging naturally caffeinated, plant-based energy beverage market including but not limited to: Guayaki, Guru, Hi-Ball, and Celsius. These companies could bolster their position in the caffeinated plant-based energy beverage market through additional expenditure and promotion.

The rapid growth in sales through e-commerce retailers, e-commerce websites, mobile commerce applications and subscription services, and closures of physical retail operations, particularly during, and potentially following, the COVID-19 pandemic, may result in a shift away from physical retail operations to digital channels and a reduction in impulse purchases. Further, the ability of consumers to compare prices on a real-time basis using digital technology puts additional pressure on Yerbaé to maintain competitive prices. Sales in gas retailer chains may also be affected by improvements in fuel efficiency and increased consumer preferences for electric or alternative fuel-powered vehicles, which may result in fewer trips by consumers to gas stations and a corresponding reduction in purchases by consumers in convenience gas retailers. Yerbaé has been growing its e-commerce sales by using its own website platform, Amazon, and leveraging its retail partners e-commerce platforms. However, if Yerbaé is unable to successfully adapt to the rapidly changing retail landscape, its share of sales, volume growth and overall financial results could be negatively affected.

As a result of both direct and indirect competition, Yerbaé's ability to successfully distribute, market and sell its product, and to gain sufficient market share in the United States to realize profits may be limited, greatly diminished, or totally diminished, which may lead to partial or total loss of your investments in Yerbaé.

***Changes in consumer product and shopping preferences may reduce demand for Yerbaé's products.***

The functional energy drink and supplement categories are subject to changing consumer preferences and shifts in consumer preferences may adversely affect Yerbaé. There is increasing awareness of and concern for health, wellness, and nutrition considerations, including concerns regarding caloric intake associated with sugar-sweetened drinks and the perceived undesirability of artificial ingredients. Yerbaé's products do not contain the artificial preservatives often found in many energy drinks and sodas. Yerbaé has no artificial preservatives, aspartame or high fructose corn syrup and is very low in sodium. Yerbaé has sweetened line of products that are sweetened with Stevia, a composite herb native to South America whose leaves are the source of a noncaloric sweetener. However, consumer preferences may shift away from the trend towards healthier options that Yerbaé has observed, and as such, there can be no assurance that Yerbaé's current products and product lines will maintain their current levels of demand. There are also changes in demand for different packages, sizes, and configurations. This may reduce demand for Yerbaé's products, which could reduce Yerbaé's revenues and adversely affect Yerbaé's results of operations.

Consumers are seeking greater variety in their functional energy drinks. Yerbaé's success will depend, in part, upon its continued ability to develop and introduce different and innovative drinks and supplements that appeal to consumers. In order to retain and expand Yerbaé's market share, Yerbaé must continue to develop and introduce different and innovative supplements and be competitive in the areas of efficacy, taste, quality, and price, although there can be no assurance of its ability to do so. There is no assurance that consumers will continue to purchase Yerbaé products in the future. Product lifecycles for some functional energy drink brands, products and/or packages may be limited to a few years before consumers' preferences change. The functional energy drinks that Yerbaé currently markets are in varying stages of their product lifecycles, and there can be no assurance that such products will become or remain profitable for Yerbaé. Yerbaé may be unable to achieve volume growth through product and packaging initiatives. Yerbaé may also be unable to penetrate new markets.

***Yerbaé derives virtually all of its revenues from functional energy drinks, and competitive pressure in the functional energy drink category could adversely affect Yerbaé's business and operating results.***

Yerbaé's focus is in the functional energy category, and its business is vulnerable to adverse changes impacting the fitness supplement category and business, which could adversely impact Yerbaé's business and the trading price of its common stock.

Virtually all of Yerbaé's sales are derived from its functional energy beverage product lines. Any decrease in the sales of its functional energy drinks could significantly adversely affect Yerbaé's future revenues and net income. Historically, Yerbaé have experienced substantial competition from new entrants in the functional energy drink category. The increasing number of competitive products and limited amount of shelf space, including in coolers, in retail stores may adversely impact Yerbaé's ability to gain or maintain a share of sales in the marketplace. In addition, certain actions of competitors, including unsubstantiated and/or misleading claims, false advertising claims and tortious interference in Yerbaé's business, as well as competitors selling misbranded products, could impact Yerbaé's sales. Competitive pressures in the functional energy drink and supplement categories could impact Yerbaé's revenues, cause price erosion and/or lower market share, any of which could have a material adverse effect on its business and results of operations.

***Yerbaé will compete in an industry that is brand-conscious, so brand name recognition and acceptance of its products are critical to its success and significant marketing and advertising could be needed to achieve and sustain brand recognition.***

Yerbaé's business is substantially dependent upon awareness and market acceptance of its products and brands by its targeted consumers. Its business also depends on acceptance by independent distributors of the Yerbaé brand as one that has the potential to provide incremental sales growth rather than reduce distributors' existing functional energy drinks. The development of brand awareness and market acceptance is likely to require significant marketing and advertising expenditures. There can be no assurance that Yerbaé will achieve and maintain satisfactory levels of acceptance by independent distributors and retail customers. Any failure of the Yerbaé brand to maintain or increase acceptance or market penetration would likely have a material adverse effect on business, financial condition and results of operations.

***If Yerbaé is unable to successfully manage new product launches, its business and financial results could be adversely affected.***

Due to the highly competitive nature of the global functional energy drink sector, Yerbaé expects and intends to continue to introduce new products and evolve existing products to better match consumer demand. The success of new and evolved products depends on several factors, including timely and successful development and consumer acceptance. Such endeavors may also involve significant risks and uncertainties, including distraction of management from current operations, greater than expected liabilities and expenses, inadequate return on capital, exposure to additional regulations and reliance on the performance of third parties.

***Alternative non-commercial beverages or processes could hurt Yerbaé's business.***

The availability of non-commercial beverages, such as tap water, and machines capable of producing naturally caffeinated, plant-based energy beverages at the consumer's home could hurt Yerbaé's business, market share, and profitability.

***Expansion of the naturally caffeinated, plant-based energy beverage market or sufficiency of consumer demand in that market for operations to be profitable are not guaranteed.***

The naturally caffeinated, plant-based energy beverage market is an emerging market and there is no guarantee that this market will expand or that consumer demand will be sufficiently high to allow Yerbaé to successfully market, distribute and sell its products, or to successfully compete with current or future competition, all of which may result in total loss of your investment.

***Health benefits of caffeinated energy beverages are not guaranteed or proven, rather it is perceived by consumers.***

Health benefits of caffeinated energy beverages are not guaranteed and have not been proven. There is a perception that consuming naturally caffeinated, plant-based energy beverages have beneficial health effects. Consequently, negative changes in consumers' perception of the benefits of such beverages or negative publicity surrounding them may result in loss of market share or potential market share and hence loss of your investment.

***Water scarcity and poor quality could negatively impact Yerbaé's production costs and capacity.***

Water is an ingredient in the product. It is also a limited resource, facing unprecedented challenges from overexploitation, increasing pollution, poor management, and climate change. As demand for water continues to increase, as water becomes scarcer, and as the quality of available water deteriorates, Yerbaé may incur increasing production costs or face capacity constraints that could adversely affect its profitability or net operating revenues in the long run.

***Climate change and natural disasters may affect Yerbaé's business.***

There is concern that a gradual increase in global average temperatures due to increased carbon dioxide and other greenhouse gases in the atmosphere could cause significant changes in weather patterns around the globe and an increase in the frequency and severity of natural disasters. Changing weather patterns could result in decreased agricultural productivity in certain regions, and/or outbreaks of diseases or other health issues, which may limit availability and/or increase the cost of certain ingredients used in Yerbaé's products and could impact the food security of communities around the world. Increased frequency or duration of extreme weather conditions could also impair production capabilities, disrupt Yerbaé's supply chain and/or impact demand for its products.

Natural disasters and extreme weather conditions, such as hurricanes, wildfires, earthquakes or floods, and outbreaks of diseases (such as the COVID-19 pandemic) or other health issues may affect Yerbaé's operations and the operation of its supply chain, impact the operations of its distributors and unfavorably impact Yerbaé's consumers' ability to purchase its products. In addition, public expectations for reductions in greenhouse gas emissions could result in increased energy, transportation, and raw material costs, and may require Yerbaé to make additional investments in facilities and equipment. Changes in applicable laws, regulations, standards or practices related to greenhouse gas emissions, packaging and water scarcity, as well as initiatives by advocacy groups in favor of certain climate change-related laws, regulations, standards or practices, may result in increased compliance costs, capital expenditures and other financial obligations, which could affect Yerbaé's business, financial condition and results of operations. Sales of Yerbaé's products may also be influenced to some extent by weather conditions in the markets in which it operates. Yerbaé's third-party co-packers use a number of key ingredients in the manufacturing of its products and powder packets that are derived from agricultural commodities. Increased demand for food products and decreased agricultural productivity in certain regions of the world as a result of changing weather patterns and other factors may limit the availability or increase the cost of such agricultural commodities and could impact the food security of communities around the world. Weather conditions may influence consumer demand for certain of Yerbaé's products, which could have an effect on its operations, either positively or negatively.

***Increase in the cost, disruption of supply or shortage of ingredients, other raw materials or packaging materials could harm Yerbaé's business.***

Yerbaé's bottling partners will use water, Yerba Mate, guarana, white tea, stevia, flavoring and packaging materials for bottles such as aluminum, plastic and paper products. The prices for these ingredients, other raw materials and packaging materials fluctuate depending on market conditions. Substantial increases in the prices of Yerbaé's or its bottling partners' ingredients, other raw materials and packaging materials, to the extent they cannot be recouped through increases in the prices of finished beverage products, would increase Yerbaé's operating costs and could reduce its profitability. Increases in the prices of Yerbaé's finished products resulting from a higher cost of ingredients, other raw materials and packaging materials could affect the affordability of its products and reduce sales.

An increase in the cost, a sustained interruption in the supply, or a shortage of some of these ingredients, other raw materials, or packaging materials and containers that may be caused by a deterioration of Yerbaé's or its bottling partners' relationships with suppliers; by supplier quality and reliability issues; or by events such as natural disasters, power outages, labor strikes, political uncertainties or governmental instability, or the like, could negatively impact Yerbaé's net revenues and profits.

***Because Yerbaé has a limited operating history, Yerbaé's ability to fully and successfully develop the business is unknown.***

Yerbaé has only recently begun producing and distributing energy beverages and does not have a significant operating history with which investors can evaluate Yerbaé's business. Yerbaé's ability to successfully develop its products, and to realize consistent, meaningful revenues and profit has not been established and cannot be assured. For Yerbaé to achieve success, the products must receive broad market acceptance by consumers. Without this market acceptance, Yerbaé will not be able to generate sufficient revenue to continue Yerbaé's business operations. If Yerbaé's products are not widely accepted by the market, the business may fail. See "*Results of Operations – Net Income/(loss)*" above for more information.

***Yerbaé's ability to achieve and maintain profitability and positive cash flow is dependent upon Yerbaé's ability to generate revenues, manage development costs and expenses, and compete successfully with direct and indirect competitors.***

Based upon current plans, Yerbaé expects to incur operating losses in future periods. This will happen because there are expenses associated with the development, production, marketing, and sales of its products. As a result, Yerbaé may not generate significant revenues in the future. Failure to generate significant revenues in near future may cause it to suspend or cease activities.

***Yerbaé will need additional funds to produce, market, and distribute Yerbaé's product.***

Yerbaé will have to spend additional funds to produce, market and distribute Yerbaé's product. If Yerbaé cannot raise sufficient capital, Yerbaé may have to cease operations and investors could lose their investment.

Yerbaé will need additional funds to produce its products for distribution to Yerbaé's target market. Even after Yerbaé completes the production of its product, it will have to spend substantial funds on distribution, marketing and sales efforts before Yerbaé will know if it has commercially viable and marketable/sellable products.

***Negative operating cash flow.***

Yerbaé historically has had negative cash flow from operating activities. It is anticipated that Yerbaé will continue to have negative cash flows in the foreseeable future. Continued losses may have the following consequences:

- increasing Yerbaé's vulnerability to general adverse economic and industry conditions;
- limiting Yerbaé's ability to obtain additional financing to fund future working capital, capital expenditures, operating costs and other general corporate requirements; and
- limiting Yerbaé's flexibility in planning for, or reacting to, changes in its business and the industry.

***Ability to Generate Profits.***

There can be no assurance that Yerbaé will generate net profits in future periods. Further, there can be no assurance that Yerbaé will be cash flow positive in future periods. In the event that Yerbaé fails to achieve profitability, the value of Yerbaé Shares may decline. In addition, if Yerbaé is unable to achieve or maintain positive cash flows, Yerbaé will be required to seek additional funding, which may not be available on favorable terms, or at all.

***Dependence on personnel.***

Due to the specialized nature of Yerbaé's business, Yerbaé's success depends on its ability to attract and retain qualified personnel and management. In particular, Yerbaé's future success will depend in part on the continued services of its executive officers and other key employees. Competition for qualified personnel in the industry in which Yerbaé operates is intense. Yerbaé believes that there are only a limited number of people with the requisite skills to serve in many key positions and it is difficult to hire and retain these people. The loss of one or more of these key personnel may have a significant adverse effect on Yerbaé or its sales, operations and profits.

***Dependence on trademarks and proprietary rights.***

Yerbaé's success depends, in large part, on its ability to protect its brands and products and to defend its intellectual property rights. Yerbaé currently has registered both the name "Yerbaé" and Yerbaé's frog logo as trademarks with the United States Patent and Trademark Office. Yerbaé cannot be sure that trademarks will be issued with respect to any future trademark applications or that its competitors will not challenge, invalidate or circumvent any existing or future trademarks issued to, or licensed by, Yerbaé. Additionally, Yerbaé's products will be manufactured using proprietary blends of ingredients created by third-party suppliers and then supplied to co-packers. Although the third-parties in Yerbaé's supply and manufacturing chain will execute confidentiality agreements, there can be no assurances that trade secrets, such as the proprietary ingredient blends, will not become known to competitors.

***The U.S. Food and Drug Administration has not passed on the efficacy of Yerbaé's products or the accuracy of any claim made related to its products. The Federal Trade Commission ("FTC") regulates advertising and may review the truthfulness of and substantiation for any claim Yerbaé makes related to its products.***

Yerbaé's advertising activities within the United States are subject to regulation by the FTC under the *Federal Trade Commission Act*. In recent years, the FTC and state attorneys general have initiated numerous investigations of dietary and nutritional supplement companies and products. Any actions or investigations initiated against the Company by governmental authorities or private litigants could have a material adverse effect on Yerbaé's business, financial condition, and results of operations.

The shifting regulatory environment through the various jurisdictions in which are products are sold necessitates building and maintaining robust systems to achieve and maintain compliance in multiple jurisdictions and increases the possibility that Yerbaé may violate one or more of the legal requirements. If its operations are found to be in violation of any applicable laws or regulations, Yerbaé may be subject to, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of its operations, injunctions, or product withdrawals, recalls or seizures, any of which could adversely affect its ability to operate its business, its financial condition and results of operations.

***The requirements of being a public company may strain Yerbaé's resources, divert management's attention and affect its ability to attract and retain executive management and qualified board members.***

As a public company, Yerbaé is subject to the reporting requirements of applicable securities laws in Canada and the United States, the listing requirements of the TSXV and other applicable securities rules and regulations. Compliance with these rules and regulations will increase Yerbaé's legal and financial compliance costs, make some activities more difficult, time consuming or costly and increased demand on its systems and resources. Applicable securities laws require Yerbaé to, among other things, file certain annual and quarterly reports with respect to its business and results of operations. In addition, applicable securities laws require Yerbaé to, among other things, maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve its disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. Yerbaé may be required to improve its disclosure controls and procedures and internal control over financial reporting primarily through the continued development and implementation of formal policies, improved processes and documentation procedures, as well as the continued sourcing of additional finance resources. As a result, management's attention may be diverted from other business concerns, which could harm Yerbaé's business and results of operations. To comply with these requirements, Yerbaé may need to hire more employees in the future or engage outside consultants, which will increase its costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Yerbaé intends to continue to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management’s time and attention from revenue generating activities to compliance activities. If its efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against Yerbaé and its business may be adversely affected.

As a public company subject to these rules and regulations, Yerbaé may find it more expensive for them to obtain director and officer liability insurance, and it may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for Yerbaé to attract and retain qualified members to its board of directors, particularly to serve on its audit committee and compensation committee, and qualified executive officers.

As a result of disclosure of information in filings required of a public company, Yerbaé’s businesses and financial condition have become more visible, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, Yerbaé’s business and results of operations could be harmed, and even if the claims do not result in litigation or are resolved in its favor, these claims, and the time and resources necessary to resolve them, could divert the resources of Yerbaé’s management and harm its business and results of operations.

***Litigation and Product Recall.***

All industries, including the caffeinated energy beverage industry, are subject to legal claims, with and without merit. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the litigation process could take away from management time and effort and the resolution of any particular legal proceeding to which Yerbaé may become subject could have a material adverse effect on Yerbaé’s business, prospects, financial position or results of operations. Additionally, Yerbaé may be required to recall its products if they become contaminated, damaged, or mislabeled. A significant product liability judgement, or widespread product recall, could have a material adverse effect on the Company’s business, financial condition and results of operations.

***Operating risk and insurance coverage.***

Yerbaé may obtain insurance to protect its assets, operations and employees. Such insurance may be subject to coverage limits and exclusions and may not be available for the risks and hazards to which Yerbaé is exposed. In addition, no assurance can be given that such insurance would be adequate to cover Yerbaé’s liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If Yerbaé was to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if Yerbaé was to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

***Management of growth.***

Yerbaé may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Yerbaé to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Yerbaé to deal with this growth may have a material adverse effect on Yerbaé's businesses, financial condition, results of operations and prospects.

***No Dividends.***

Yerbaé currently has no plans to pay regular dividends on the Common Shares. Any declaration and payment of future dividends to holders of Common Shares will be at the sole discretion of Yerbaé's board of directors and will depend on many factors, including the financial condition, earnings, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations of Yerbaé that Yerbaé's board of directors deems relevant.

***There is no guarantee that sufficient sale levels will be achieved.***

There is no guarantee that the expenditure of money on distribution and marketing efforts will translate into sales or sufficient sales to cover Yerbaé's expenses and result in profits. Consequently, there is a risk that you may lose all of your investment.

***Product development, marketing, and sales activities are limited by Yerbaé's size.***

Due to a lack of capital and resources, Yerbaé must limit its product development, marketing, and sales activities. As such, Yerbaé may not be able to complete its production and business development program .If this becomes a reality, Yerbaé may not ever generate revenues and you will lose your investment.

***Conflicts of Interest.***

Certain of the directors and officers of Yerbaé are also directors and officers of other companies. In addition, they may devote time to other outside business interests, so long as such activities do not materially or adversely interfere with their duties to Yerbaé. The interests of these persons could conflict with those of Yerbaé. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws, including the requirements of the BCBCA. In particular, in the event that such a conflict of interest arises at a meeting of Yerbaé Board, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of Yerbaé will be required to act honestly, in good faith and in the best interests of Yerbaé.

***Yerbaé's growth and profitability depends on the performance of third-parties and its relationship with them.***

Yerbaé and its distribution network and its success depend on the performance of third parties, such as third-party co-packers and distribution partners. Any non-performance or deficient performance by such parties may undermine Yerbaé's operations, profitability, and result in total loss to your investment. To manufacture products, Yerbaé will rely on third-party co-packers. These third-party co-packers may not be able to fulfill Yerbaé's demand, or such third-parties could begin to charge rates that make using their services cost inefficient. In such a case, Yerbaé's business, financial condition, and results of operation would be adversely affected. To distribute product, Yerbaé will use a broker-distributor-retailer network whereby brokers represent products to distributors and retailers who will in turn sell product to consumers. The success of this network will depend on the performance of the brokers, distributors and retailers of this network. There is a risk that a broker, distributor, or retailer may refuse to or cease to market or carry Yerbaé's products. There is a risk that the mentioned entities may not adequately perform their functions within the network by, without limitation, failing to distribute to sufficient retailers or positioning Yerbaé's products in localities that may not be receptive to it. Furthermore, such third-parties' financial position or market share may deteriorate, which could adversely affect Yerbaé's distribution, marketing and sale activities. Yerbaé must maintain good commercial relationships with third-party brokers, distributors and retails so that they will promote and carry its product. Any adverse consequences resulting from the performance of third-parties or Yerbaé's relationship with them could undermine Yerbaé's operations, profitability and may result in total loss of your investment.

## SUBSEQUENT EVENTS

On July 21, 2023, William Finn resigned as the Chief Financial Officer of the Company due to health reasons. The Company appointed Nick Cranny as the interim Chief Financial Officer in place of William Finn.

On July 17 2023, Yerbaé announced a non-brokered private placement of units (each, a "**Unit**") of the Company at a price of $1.83 per Unit for aggregate gross proceeds of up to $5,000,000 (the "**Offering**"), with each Unit consisting of one Common Share and one Warrant entitling the holder thereof to acquire one additional Warrant Share at a price per Warrant Share of $2.15 for a period of 24 months from the date of issuance. On August 18, 2023, Yerbaé closed the initial tranche of the Offering which consisted of the issuance by the Company of 2,219,629 Units for aggregate gross proceeds of up to US$4,061,921. In connection with the closing of the Initial Tranche, the Company paid eligible finders cash fees of $33,243.

## OTHER INFORMATION

Additional information about Yerbaé is available under the Company's profile on SEDAR+ at www.sedarplus.ca.