Condensed Consolidated Interim Financial Statements of

YERBAÉ BRANDS CORP.

For the three-month periods ended March 31, 2024 and 2023
Unaudited Expressed in U.S. Dollars

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Pursuant to an exemptive relief order issued on April 29, 2024, the accompanying unaudited condensed consolidated interim financial statements of Yerbaé Brands Corp. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States and in accordance with Item 303 of Regulation S-K under the United States *Securities Exchange Act of 1934* for the periods stated herein. Management acknowledges responsibility for the preparation and presentation of the unaudited condensed interim consolidated financial statements, including responsibility for significant accounting estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

YERBAÉ BRANDS CORP.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In United States dollars, except share data)

	March 31, 2024	December 31, 2023
CURRENT ASSETS		
Cash	$ 609,764	$ 977,373
Accounts receivable	592,302	1,020,056
Inventory (Note 5)	1,317,056	962,288
Prepaid expenses	624,604	721,432
Other current assets	150,000	150,000
Total current assets	$ 3,293,726	$ 3,831,149
NONCURRENT ASSETS		
Property, plant and equipment, net (Note 6)	55,815	60,453
Right of use asset	188,454	210,208
Total noncurrent assets	$ 244,269	$ 270,661
Total assets	$ 3,537,995	$ 4,101,810
CURRENT LIABILITIES		
Accounts payable	$ 1,365,340	$ 1,689,407
Accrued expenses (Note 7)	829,855	840,426
Notes payable, current portion (Note 9)	272,663	340,178
Lease liability, current portion	121,025	117,660
Total current liabilities	$ 2,588,883	$ 2,987,671
NONCURRENT LIABILITIES		
Notes payable, non-current portion (Note 9)	2,397,652	2,234,038
Lease liability, non-current portion	123,331	155,107
Total noncurrent liabilities	$ 2,520,983	$ 2,389,145
Total liabilities	$ 5,109,866	$ 5,376,816
SHAREHOLDERS' DEFICIENCY		
Preferred shares - 100,000,000 authorized, zero issued and outstanding as of both March 31, 2024 and December 31, 2023	$ -	$ -
Common shares - without par value, 61,767,132 and 58,822,126 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively.	-	-
Additional paid-in capital (Note 10)	35,709,475	33,212,631
Accumulated deficit	(37,281,346)	(34,487,637)
Total shareholders' deficiency	$ (1,571,871)	$ (1,275,006)
Total Liabilities & shareholders' deficiency	$ 3,537,995	$ 4,101,810

The accompanying notes are an integral part of these consolidated financial statements.

YERBAÉ BRANDS CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In United States dollars, except share data)

	For the Three Months Ended March 31,	
	2024	2023
Revenues	$ 1,434,971	$ 3,386,907
Cost of sales (Note 16)	620,262	1,757,015
Gross profit	$ 814,709	$ 1,629,892
General and administrative (Note 17)	$ 2,892,274	$ 8,494,629
Sales, advertising and marketing	457,807	1,971,860
Total expenses	$ 3,350,081	$ 10,466,489
Net loss before other income (expense)	(2,535,372)	(8,836,597)
Interest expense	(258,337)	(46,185)
Net loss before income taxes	(2,793,709)	(8,882,782)
Income tax expense	-	-
Net loss and comprehensive loss	$ (2,793,709)	$ (8,882,782)
Basic and diluted loss per share (Note 11)	($0.05)	($0.20)
Basic and diluted weighted average shares outstanding (Note 11)	60,258,351	44,015,564

The accompanying notes are an integral part of these consolidated financial statements.

YERBAÉ BRANDS CORP.
UNAUDITED CONDENSED STATEMENT OF SHAREHOLDERS' DEFICIENCY
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(In United States dollars, except share data)

	Common Stock		Additional	Accumulated	
	Shares	Amount	Paid-In Capital	Deficit	Total
Balance, December 31, 2022	**30,217,566**	**$ 3,022**	**$ 9,027,460**	**$ (13,663,598)**	**$ (4,633,116)**
Recapitalization	8,239,215	(3,022)	643,731	-	640,709
Convertible debt conversion into common shares	5,599,102	-	4,528,094	-	4,528,094
Shares issued as compensation in connection with financings	5,554,447	-	(481,574)	-	(481,574)
Warrant issuance	-	-	1,643,777	-	1,643,777
Performance shares issued in connection with Merger	5,000,000	-	6,086,596	-	6,086,596
Stock compensation expense	-	-	104,455	-	104,455
Net loss	-	-	-	(8,882,782)	(8,882,782)
Balance, March 31, 2023	**54,610,330**	**$ -**	**$ 21,552,539**	**$ (22,546,380)**	**$ (993,841)**
Balance, December 31, 2023	**58,822,126**	**$ -**	**$ 33,212,631**	**$ (34,487,637)**	**$ (1,275,006)**
Exercise of warrants	1,451,098	-	1,551,979	-	1,551,979
Stock compensation expense	1,493,908	-	944,865	-	944,865
Net loss	-	-	-	(2,793,709)	(2,793,709)
Balance, March 31, 2024	**61,767,132**	**$ -**	**$ 35,709,475**	**$ (37,281,346)**	**$ (1,571,871)**

The accompanying notes are an integral part of these consolidated financial statements.

YERBAÉ BRANDS CORP.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(In United States dollars)

	For the Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net loss	$ (2,793,709)	$ (8,882,782)
Adjustment to reconcile net loss to net cash used in operating activities:		
Share-based compensation	944,865	104,455
Performance shares granted upon consummation of RTO	-	6,086,096
Depreciation and amortization	5,495	12,673
Lease expense	(4,992)	29,081
Accretion expense	168,602	-
Change in operating assets and liabilities:		
Accounts receivable	427,754	240,460
Inventory	(354,768)	(87,391)
Prepaid expenses	96,828	77,227
Accounts payable	(325,732)	(478,255)
Accrued interest	49,020	(44,306)
Accrued expenses	(59,591)	8,678
Net cash used in operating activities	(1,846,228)	(2,934,064)
Cash flows from investing activities:		
Proceeds from the sale of equipment	(857)	-
Recapitalization	-	640,709
Net cash flows provided by (used in) investing activities:	(857)	640,709
Cash flows from financing activities:		
Proceeds from debt instruments and notes payable	262,077	901,169
Payments on debt instruments and notes payable	(334,580)	(1,742,677)
Warrants exercised	1,551,979	-
Proceeds from notes payable	-	100,000
Proceeds from issuance of common stock and warrants	-	2,433,202
Net cash flows provided by (used in) financing activities:	1,479,476	1,691,694
Net change in cash	(367,609)	(601,661)
Cash, beginning of period	977,373	857,710
Cash, end of period	$ 609,764	$ 256,049
Supplemental disclosure of cash flow information		
Cash paid for interest	$ (46,185)	$ (89,685)
Conversion of notes payable to common stock	$ -	$ 4,528,094
Reverse takeover transaction	$ -	$ (569,115)

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - NATURE AND DESCRIPTION OF BUSINESS

Yerbaé Brands Corp. ("Yerbaé" and, together with its subsidiary, the "Company". "we", or "us") is a corporation existing under the *Business Corporations Act* (British Columbia) ("BCBCA"). Yerbaé's principal subsidiaries are Yerbaé Brands Co. ("Yerbaé USA") and Yerbaé LLC of which Yerbaé owns 100% interests in. Yerbaé is a beverage manufacturer focusing on the development and distribution of plant-based energy drinks and seltzers.

On May 19, 2022, Yerbaé (formerly Kona Bay Technologies Inc. ("Kona Bay")) entered into a definitive arrangement agreement and plan of merger, as amended on August 31, 2022 and February 8, 2023, with Yerbaé USA, Kona Bay Technologies (Delaware) Inc. ("Merger Sub"), a wholly-owned Delaware subsidiary of the Company, 1362283 B.C. Ltd. ("FinCo"), a wholly-owned British Columbia subsidiary of Kona Bay, Todd Gibson and Karrie Gibson, pursuant to which Kona Bay proposed to complete a business combination with Yerbaé USA via the acquisition of all of the issued and outstanding securities of Yerbaé USA from the securityholders (collectively, the "Original Yerbaé Securityholders") of Yerbaé USA (the "Transaction"). The Transaction was subject to the approval of the TSX Venture Exchange ("TSXV") and constituted a reverse takeover of Kona Bay by Yerbaé USA as defined in TSXV Policy 5.2 – *Change of Business and Reverse Takeovers*.

On February 8, 2023, Yerbaé completed the Transaction with Yerbaé USA by way of a reverse merger conducted pursuant to: (i) the provisions of the Delaware General Corporations Law ("DGCL") in which Merger Sub merged with and into Yerbaé USA, and (ii) a plan of arrangement conducted pursuant to the provisions of the BCBCA, which resulted in the amalgamation of Kona Bay with FinCo. In connection with the closing of the Transaction, Yerbaé (formerly, Kona Bay Technologies Inc.) consolidated its issued and outstanding common shares (each, a "Common Share") on the basis of 5.8 pre-consolidation Common Shares for every one post-consolidation Common Share and changed its name from "Kona Bay Technologies Inc." to "Yerbaé Brands Corp."

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and include Yerbaé and its subsidiaries and include the accounts of all majority owned subsidiaries over which the Company exercises control and, when applicable, entities in which the Company has a controlling financial interest. All intercompany balances and transactions have been eliminated in consolidation. The Company had the following wholly-owned consolidated subsidiaries as of March 31, 2024:

Subsidiary	Date of Incorporation	Jurisdiction of Incorporation	Ownership Percentage	Direct or Indirect Ownership
Yerbaé Brands Co.	August 21, 2020	Delaware	100%	Direct
Yerbaé LLC[(1)]	May 18, 2016	Delaware	100%	Indirect

(1) Yerbaé LLC is a wholly-owned subsidiary of Yerbaé Brands Co.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2023. In general, disclosure provided in these unaudited condensed consolidated financial statements does not repeat the disclosure provided in the Company's most recent audited consolidated annual financial statements. However, these unaudited condensed consolidated interim financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim period presented. The Company has not changed accounting policies from previous reporting period.

These unaudited condensed consolidated financial statements were approved and authorized by the Company's board of directors on May 30, 2024.

NOTE 1 – NATURE AND DESCRIPTION OF BUSINESS (Continued)

Going Concern

Yerbaé's evaluation of its ability to continue as a going concern requires it to evaluate its future sources and uses of cash sufficient to fund its currently expected operations in conducting business activities one year from the date its unaudited condensed consolidated financial statements are issued. Yerbaé evaluates the probability associated with each source and use of cash resources in making its going concern determination.

Management believes that it is probable that the Company will be unable to meet its obligations as they come due within one year after the date that the unaudited condensed consolidated financial statements are issued. Should the additional planned financings not occur as expected, management will implement alternative arrangements and such arrangements could have a potentially significant negative impact on the current net asset value of the Company. These alternatives include: (1) raising additional capital by means other than those planned through equity and/or debt financings; and/or (2) entering into new commercial relationships to help fund future expenses.

As a result of the Company's recurring losses from operations, and the need for additional financing to fund its operating and capital requirements within one year after the date that the financial statements are issued, there is uncertainty regarding the Company's ability to maintain liquidity sufficient to operate its business effectively, which raises substantial doubt as to the Company's ability to continue as a going concern.

Management Estimates

The preparation of the unaudited condensed consolidated interim financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. These estimates are based on historical experience and various other assumptions that management believes to be reasonable under the circumstances, including the potential future effects of macroeconomic trends and events, such as inflation and interest rate levels; supply chain disruptions; uncertainty from potential recessionary effects; climate-related matters; market, industry and regulatory factors, including permitting issues; global events, such as the ongoing military conflicts in Ukraine and Palestine; and public health matters. These estimates form the basis for making judgments about the Company's operating results and the carrying values of assets and liabilities that are not readily apparent from other sources. While management believes that such estimates are reasonable when considered in conjunction with the Company's unaudited condensed consolidated financial position and results of operations taken as a whole, actual results could differ from these estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Company recognizes revenue in accordance with the five-step model outlined in ASC 606-Revenue from Contracts with Customers. Specifically, the Company recognizes revenue from the sale of Yerbaé product to its customers by applying the following steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

Refer to Note 3 for additional information regarding the Company's recognition, measurement and disclosure of its contracts with customers.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Income taxes are accounted for using the asset and liability method in accordance with Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 740 – *Income Taxes*, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the unaudited condensed consolidated statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent it believes these assets will more-likely-than-not be realized. In making such determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. In the event the Company was to determine that it would be able to realize its deferred income tax assets in the future in excess of its net recorded amount, the Company would make an adjustment to the valuation allowance which would reduce the provision for income taxes.

Cash and Cash Equivalents

Cash in the unaudited condensed consolidated statement of financial position are comprised of cash at banks and on hand and short-term highly liquid deposits with a maturity date of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits. At certain times, the amount of cash equivalents at any one institution may exceed the federally insured prescribed limits; however, no losses have been incurred to date.

Accounts Receivable

Accounts receivables, net of the allowance for doubtful accounts, represent their estimated net realizable value, which approximates fair value. Provisions for doubtful accounts are recorded based on historical collection experience and the age of the receivables. Receivables are written off when they are deemed uncollectible.

Inventory

Inventory is valued at the lower of cost or net realizable value with cost determined on a first-in/first-out basis. The cost of inventory includes material and manufacturing costs. Inventoriable costs are expensed to cost of goods sold on the consolidated statement of operations and comprehensive loss in the same period as finished products are sold. The amount of any write-down of inventory to net realizable value and all losses of inventory are recognized as an expense in the period when the write-down or loss.

Leases

In the ordinary course of business, the Company enters into agreements that provide financing for equipment and for other warehouse facility and vehicle needs. The Company reviews all agreements to determine if a leasing arrangement exists. When a leasing arrangement is identified, a determination is made at inception as to whether the lease is an operating or a finance lease. A lease exists when a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In determining whether a lease exists, the Company considers whether a contract provides both the right to obtain substantially all of the economic benefits from the use of an asset and the right to direct the use of the asset. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of the minimum future lease payments over the expected term of the lease. The Company's lease assets are primarily concentrated in vehicles, machinery and equipment.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases with an initial term of 12 months or less are classified as short-term leases and are not recognized in the consolidated balance sheets unless the lease contains a purchase option that is reasonably certain to be exercised, or unless it is reasonably certain that the equipment will be leased for greater than 12 months. The volume of lease activity for leases with an initial term of 12 months or less varies depending upon the number of ongoing projects at a given time, as well as the location and type of equipment required in connection with those projects. Lease payments for short-term leases are recognized on a straight-line basis over the lease term, and primarily relate to equipment used on construction projects, for which the rentals are based on daily, weekly or monthly rental rates, and typically contain termination for convenience provisions. Lease determinations are reassessed in the event of a change in lease terms. The Company has a limited number of sublease, equipment and other leasing arrangements, which are not considered material to the unaudited condensed consolidated financial statements.

Long-Lived Assets

Management regularly reviews property and equipment and other long-lived assets for possible impairment. This review occurs annually, or more frequently if events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. If there is an indication of impairment, management then prepares an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. The fair value is estimated using the present value of the future cash flows discounted at a rate commensurate with management's estimates of the business risks. Preparation of estimated expected future cash flows is inherently subjective and is based on management's best estimate of assumptions concerning expected future conditions. No impairments were recognized during the three months ended March 31, 2024 or March 31, 2023.

Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

> Level 1: Observable inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
>
> Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, or quoted prices for identical assets and liabilities in markets that are not active.
>
> Level 3: Unobservable inputs that reflect the Company's own assumptions. While the Company does not have any financial instruments that are measured to fair value on a recurring or non-recurring basis, it does have financial instruments, such as cash, notes payable, and the line of credit as of both December 31, 2023, and December 31, 2022. The fair value of the cash and line of credit is equal to their carrying value due to the short-term nature and liquidity of the instruments. Similarly, the fair value of notes payable, which are categorized as level 3 instruments, are also equal to their carrying value due to their recent issuance at interest rates that are prevalent in the market for a smaller company as of the reporting date.

The Company's financial instruments as of March 31, 2024 included cash, accounts receivables, accounts payable and notes payable. The stated amounts of cash, accounts receivables and accounts payable represent fair value due to the short term nature of the instruments. Further, the stated amount of notes payable, which are classified as level 3 instruments, also represent fair value due the notes being issued at currently prevailing market rates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sales, Advertising and Marketing

The Company supports its products with advertising to build brand awareness of Yerbaé's various products in addition to other marketing programs executed by the Company's contract marketing teams. Advertising costs for the three months ended March 31, 2024 and March 31, 2023 were approximately $0.46 million and $1.98 million, respectively.

Share-Based Compensation

The Company determines the fair value of employee stock-based compensation awards on the date of grant and recognizes the related expense over the requisite service period. Further, Yerbaé also grants non-employee options in exchange for certain goods and services received. Similar to employee options, non-employee options are measured at fair value as of the grant date and are recognized when the goods or services or obtained.

The fair value of restricted share units and performance share units is equal to the market price of the Company's common share on the date of grant. The fair value of stock options are determined using the Black-Scholes-Merton valuation model. The expected volatility is based on the implied volatilities for comparable companies and the expected life of the award is determined using the simplified method.

When awards include a performance condition that impacts the vesting of the award, the Company records compensation cost when it becomes probable that the performance condition will be met and the expense will be attributed over the explicit or implicit service period. The Company accounts for forfeitures as they occur. Any previously recognized expense related to the forfeited awards will be reversed during the period of forfeiture.

Segment Reporting

The Company's operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO"). In addition to requiring certain information about operating segments, ASC 280 also requires that entities report certain information about their products and services, the geographic areas in which they operate, and their major customers Currently, the Company conducts its business within a single operating segment. Further, the Company does not have any long-lived assets located outside of the United States.

Complex Financial Instruments

Convertible Debt

To support its ongoing financing needs, the Company may issue convertible debt with detachable warrants. In accounting for the convertible debt, the Company follows the guidance in ASC 815-15 to determine whether the embedded conversion option should be considered an embedded derivative. If Yerbaé determines that the conversion option should be considered an embedded derivative, it then assesses the guidance in ASC 815-40 to determine if the embedded derivative is considered indexed to the Company's stock. If the embedded derivative is not considered indexed to the Company's stock, Yerbaé would separate the embedded derivative from its debt host (based on its estimated fair value) and recognize it as a derivate liability to be re-measured to fair value at the end of each reporting period.

Detachable Warrants

In addition to convertible debt, the Company may also issue detachable warrants in connection with certain financings. In accounting for the warrants, the Company will first determine whether they are in the scope of ASC 480 and therefore whether they are to be recognized as a liability and re-measured to fair value at the end of each reporting period. If the warrants are not within the scope of ASC 480, the Company will then determine if they are indexed to

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the Company's own stock. If the warrants are not considered indexed to the Company's Common Shares, they will be recognized as a liability and re-measured to fair value at the end of each reporting period.

Allocation of Proceeds

In situations where the Company issues convertible debt with detachable warrants, Yerbaé determines the allocation of proceeds based on the guidance in ASC 470-20 (assuming the conversion option is not bi-furcated from the debt host and the warrants are equity classified). Specifically, the Company allocates the proceeds between the convertible debt and detachable warrants based on their relative fair value. The portion allocated to the detachable warrants is then recognized as a debt discount and amortized to interest expense over the estimated life of the debt. If the debt is either paid down or converted to equity prior to its maturity date the Company will immediately recognize the remaining debt discount to interest expense.

Recent Accounting Pronouncements

Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures-In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires a public entity to disclose significant segment expenses and other segment items on an annual and interim basis and provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. Additionally, it requires a public entity to disclose the title and position of the Chief Operating Decision Maker ("CODM"). The ASU does not change how a public entity identifies its operating segments, aggregates them, or applies the quantitative thresholds to determine its reportable segments. The new standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. A public entity should apply the amendments in this ASU retrospectively to all prior periods presented in the financial statements. Yerbaé expects this ASU to only impact its disclosures with no impacts to the Company's results of operations, cash flows and financial condition.

Income Taxes (Topic 740): Improvements to Income Tax Disclosures-In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which focuses on the rate reconciliation and income taxes paid. ASU No. 2023-09 requires a public business entity ("PBE") to disclose, on an annual basis, a tabular rate reconciliation using both percentages and currency amounts, broken out into specified categories with certain reconciling items further broken out by nature and jurisdiction to the extent those items exceed a specified threshold. In addition, all entities are required to disclose income taxes paid, net of refunds received disaggregated by federal, state/local, and foreign and by jurisdiction if the amount is at least 5% of total income tax payments, net of refunds received. For PBEs, the new standard is effective for annual periods beginning after December 15, 2024, with early adoption permitted. An entity may apply the amendments in this ASU prospectively by providing the revised disclosures for the period ending December 31, 2025 and continuing to provide the pre-ASU disclosures for the prior periods, or may apply the amendments retrospectively by providing the revised disclosures for all period presented. Yerbaé expects this ASU to only impact its disclosures with no impacts to the Company's results of operations, cash flows, and financial condition.

NOTE 3 - REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company is in the business of manufacturing plant-based beverages and derives its revenues from one primary source-product sales. Revenue from contracts with customers is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

NOTE 3 – REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

The Company recognizes revenue in accordance with the five-step model outlined in ASC 606 – *Revenue from Contracts with Customers*. Specifically, the Company recognizes revenue from the sale of Yerbaé product to its customers by applying the following steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The Company's contracts with customers contain a single performance obligation consisting of providing Yerbaé energy drinks. As it pertains to the single performance obligation, the Company does not recognize any contract assets or contract liabilities as it does not: (1) have a right to consideration in exchange for goods or services that the entity has transferred to a customer when the right is conditioned on something other than the passage of or (2) receive payment prior to performing.

The Company typically satisfies its performance obligations at a point time upon the occurrence of delivery of the product to the customer. Further, payment is typically received within 60 days after product delivery and does not include a significant financing component.

The Company's contracts with customers include variable consideration including customer rebates and quick pay discounts. The Company estimates variable consideration, which it does not consider to be constrained, using either the most likely amount or expected value methods depending on the type of variable consideration.

The Company only provides refunds for products that are damaged during delivery to the customer. However, instances of refunds are rare and have not historically had a material impact on the Company's results of operations. Finally, Yerbaé has made an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the entity from a customer.

In addition to variable consideration, the Company also provides payments to certain customers for slotting fees. In accordance with the guidance in ASC 606-10-32, the Company determined that the payment is not in exchange for a distinct good or service and it is therefore recognized as a reduction to the transaction price. As the slotting fee payment covers the life of the contract with a customer, the initial payment is recognized as an asset and is amortized as a reduction to revenue on a rational and reasonable basis over the estimated life of the contract.

Costs to Obtain a Contract with a Customer

The Company does not recognize any assets related to either costs to obtain or fulfill a contract with a customer. The Company incurs certain delivery costs prior to transferring control of its product to its customers (i.e., outbound freight). In accordance with the guidance in ASC 606-10-25, those costs are recognized as a fulfillment cost as they are provided prior to transferring control of the Yerbaé product to its customer (i.e., akin to shipping and handling). Further, the costs are classified in general and administrative within the consolidated statement of operations and comprehensive loss.

NOTE 4 - REVERSE RECAPITALIZATION

On February 8, 2023, Yerbaé completed the Transaction with Yerbaé USA by way of a reverse merger conducted pursuant to: (i) the provisions of the DGCL in which Merger Sub merged with and into Yerbaé USA, and (ii) a plan of arrangement conducted pursuant to the provisions of the BCBCA, which resulted in the amalgamation of Kona Bay with FinCo. In connection with the Closing, Yerbaé (formerly, Kona Bay Technologies Inc.) consolidated its issued and outstanding Common Shares on the basis of 5.8 pre-consolidation Common Shares for every one post-consolidation Common Share and changed its name from "Kona Bay Technologies Inc." to "Yerbaé Brands Corp.". In accounting for the Transaction, the Company determined that Kona Bay was a shell company (as that term has been defined in Rule 405 of the United States *Securities Act of 1933*) as prior to the merger they had no operations and assets consisting solely of cash and cash equivalents. Thus, pursuant to section 12100 of the United States Securities and Exchange Commission's financial reporting manual, the Company concluded that: (1) the Transaction should be accounted for as "a reverse takeover equivalent to the issuance of Common Shares by the Company for the net monetary assets of Kona Bay"; and (2) the Company should be considered the accounting acquirer/legal acquiree in the Transaction. As the Company concluded that Yerbaé USA was the accounting acquirer/legal acquiree in the transaction, the historical results of the combined company (prior the merger) represent the historical results of Yerbaé USA.

The recognition and measurement for the acquisition of Kona Bay was analogized to the guidance in ASC 805-40 – *Reverse Acquisitions*, which requires that the accounting acquirer measure the fair value of the consideration transferred based on the number of common shares the legal target would have had to issue in order to retain a specified ownership in the combined Company. Yerbaé intended to retain and 85% ownership interest in the combined company, and therefore, based on 30.2 million shares outstanding immediately prior to the merger, would have had to issue approximately 5.3 million shares to the owners of the legal parent (to retain an 85% ownership). In addition, based on an equity financing by the Company which occurred immediately before the Transaction, the Company determined that the common shares had a fair value of $1.21 per share. This resulted in the determination of the fair value of the consideration transferred in the transaction was approximately $6.5 million (5.2 million shares x $1.23 per Common Share) and that of the $6.5 million transferred approximately $0.6 million should be allocated to the cash acquired from Kona Bay (i.e., the "net assets" acquired) and the remaining $5.9 million should be recognized as a charge to equity as follows:

	Allocation Table ($ in millions)
Fair value of consideration paid	$ 6.5
Net assets acquired (cash)	(0.6)
Charge to additional paid in capital	$ 5.9

In addition, the Company presented the acquisition of Kona Bay as a "recapitalization" line item in its statement of changes in shareholders equity reflecting: (1) the number of Kona Bay's outstanding common shares immediately prior to the transaction; and (2) the approximately $6.5 million in fair value of consideration transferred (calculated pursuant to the paragraph above). Further, while the guidance in ASC 805-40 also requires a revision to historical equity (of the combined company) to reflect the legal capital of the legal acquirer, the Company concluded that this was not required in the scenario as the conversion ratio, which reflects the number of common shares issued by the legal acquirer to effectuate the transaction compared to the number of common shares in the capital of Yerbaé outstanding immediately prior to the transaction, was 1:1.

NOTE 5 - INVENTORY

Inventory consist of the following for the period presented:

	March 31, 2024	December 31, 2023
Raw material	$ 108,017	$ 54,954
Finished goods	1,211,148	908,433
Reserve for shrinkage	(2,109)	(1,099)
TOTAL	$ 1,317,056	$ 962,288

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and consist primarily of vehicles. Depreciation is computed on a straight-line method over an estimated useful life of the asset of approximately five years.

	Property & Equipment
December 31, 2023	
Vehicles, gross	$ 109,915
Vehicles, accumulated depreciation	(49,462)
Vehicles, net	$ 60,453
March 31, 2024	
Vehicles, gross	$ 110,772
Vehicles, accumulated depreciation	(54,957)
Vehicles, net	$ 55,815

Depreciation expense totaled $5,495 and $12,673 for the three months ended March 31, 2024 and March 31, 2023, respectively, and is recorded in selling, general and administrative in the condensed consolidated statement of operations and comprehensive loss.

NOTE 7 – ACCRUED EXPENSES

Accrued expenses and other current liabilities consist of the following for the periods presented:

	March 31, 2024	December 31, 2023
Accrued employee bonuses	$ 235,722	$ 358,154
Accrued credit card expenses	258,690	259,144
Accrued interest	182,373	133,353
Other current liabilities	153,070	89,775
TOTAL	$ 829,855	$ 840,426

NOTE 8 – LINE OF CREDIT

On May 16, 2023, Yerbaé's Delaware subsidiary, Yerbaé LLC, replaced its line of credit provider Ampla LLC ("**Ampla**") and secured a new accounts receivable and inventory revolving line of credit of $2,500,000 (the "**Debt Facility**") from Oxford Commercial Finance, a Michigan banking corporation. The Company can draw down funds as needed, and only pay interest on the amount borrowed. The Debt Facility is secured by a security interest in all assets of Yerbaé, including a first security interest in Yerbaé's accounts receivable and inventory. The was no outstanding balance due to either Oxford Commercial Finance or to Ampla as at either March 31, 2024 or December 31, 2023.

NOTE 9 – NOTES PAYABLE

Notes payable consisted of the following:

	March 31, 2024	December 31, 2023
Short term note payable due to Amazon Lending originated December 26, 2023 maturing December 26, 2024 at an interest rate of 14.49%, secured by inventories.	$ 249,485	$ 317,000
Notes payable in monthly installments ranging from $543 to $652, including interest ranging from 2.90% to 5.49%, due October 2026. The notes are secured by vehicles.	55,926	60,914
Notes payable to multiple investors in the amount of $3,802,000 in total. The loans accrue interest at 6.00%. The notes are unsecured and are due 24 months from issue date. These notes also contain certain conversion rights. There are two conversion options: (a) automatic conversion upon Change in Control event; and (b) upon maturity of the notes. (See '2023 Convertible Notes')	2,364,904	2,196,302
Total notes payable	2,670,315	2,574,216
Less current maturities	(272,663)	(340,178)
Total notes payable, non-current portion	$ 2,397,652	$ 2,234,038

2023 Convertible Notes

On April 13, 2023, Yerbaé closed the first tranche (the "First Tranche") of its brokered debenture unit (each, a "Debenture Unit") offering which consisted of 1,650 Debenture Units for gross proceeds of $1,650,000. On May 5, 2023, Yerbaé closed the second tranche pursuant to which it issued an additional 2,152 Debenture Units for gross proceeds of $2,152,000, and for aggregate gross proceeds, together with the closing of the First Tranche, of $3,802,000.

NOTE 9 – NOTES PAYABLE (Continued)

Each Debenture Unit consisted of: (i) one (1) convertible debenture (each, a "Debenture") in the principal amount of $1,000; and (ii) 714 share purchase warrants. 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, subject to adjustment in certain customary events. Each warrant entitles the holder thereof to acquire one Common Share at a price per Common 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 $2.50 or greater per Common Share for any ten (10) consecutive trading day period at any time after the date that is four (4) months following the issuance of the warrants, Yerbaé may accelerate the expiry of the warrants by giving notice to the holders 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 thirty (30) days after the date of such notice.

In accounting for the Debentures, the Company concluded the conversion option should not be bi-furcated from the debt host as it was considered indexed to the company's stock in accordance with ASC 815-40. Further, the Company also concluded that the detachable warrants should be classified in equity as they: (1) were not within the scope of ASC 480-10; and (2) should be considered indexed to the Company's Common Shares. In accordance with ASC 470-20, the Company recognized both the Debentures and detachable warrants at their relative fair values. This resulted in the recognition of a debt discount that is being amortized to interest expense over the life of the Debenture Units. During the three months ended March 31, 2024, the Company recorded accretion expense of $168,602. The remaining unamortized debt discount balance as of March 31, 2024 was $912,096 (December 31, 2023 - $966,031).

Future principal maturities of notes payable at March 31, 2024 were as follows:

Remainder of 2024	$	266,868
2025		3,300,178
2026		15,365
2027		-
2028		-
Thereafter		-
Total payments	$	3,582,411
Debt discount		(912,096)
Balance	$	2,670,315

NOTE 10 – SHARE CAPITAL

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 at March 31, 2024, 61,767,132 Common Shares (December 31, 2023 – 58,822,126) and nil Preferred Shares (December 31, 2023 – nil) were issued and outstanding.

For the year ended December 31, 2023, the Company had the following equity transactions:

On May 19, 2022, Yerbaé (formerly Kona Bay) entered into the Arrangement Agreement with Yerbaé USA, Merger Sub, FinCo, Todd Gibson and Karrie Gibson, with respect to the Transaction. On February 8, 2023, Yerbae completed its Transaction with Yerbaé USA by way of a reverse takeover. conducted pursuant to: (i) the provisions of the DGCL in which Merger Sub merged with and into Yerbaé USA, and (ii) a plan of arrangement conducted pursuant to the provisions of the BCBCA. In connection with the Closing, Yerbaé (formerly, Kona Bay) consolidated its outstanding Common Shares on the basis of 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.". Total Common Shares issued relating to the reverse takeover that were issued to former Kona Bay shareholders was 8,239,215 Common Shares with a fair value of $7,526,000.

At the time of Closing, an aggregate of 54,493,953 Common Shares were issued and outstanding of which: 35,848,290 Common Shares were issued to the former Yerbaé shareholders (inclusive of an aggregate of 5,631,276 Common Shares issued to former holders of an aggregate of $4,500,000 in convertible promissory notes of Yerbaé USA converted immediately prior to closing of the Transaction), 8,000,000 performance Common Shares (each, a "Performance Share") were issued with a fair value of $11,360,000 of which $2,433,404 was recognized as a reduction of equity related to the current financing proceeds received and $2,840,000 has been included as deferred offering costs initially, and as of December 31, 2023, the deferred offering costs balance was Nil. The Performance Shares are held 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 TSXV, future equity financings, and certain trailing gross revenue targets, and 2,015,163 Shares were issued to former holders of subscription receipts of FinCo issuable in connection to a concurrent financing of $2,433,404 to the Transaction.

In addition, the 1,087,752 options to purchase shares of common stock (each, a "Yerbaé USA Share") of Yerbaé USA which were outstanding immediately prior to closing of the Transaction 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 USA Shares which were outstanding immediately prior to Closing were cancelled and the holders thereof were granted an aggregate of 1,754,464 replacement warrants of Yerbaé, and 2,015,163 warrants to purchase shares of FinCo which were outstanding immediately prior to closing of the Transaction were cancelled and the holders thereof were granted an aggregate of 2,015,163 replacement warrants. 5,631,276 warrants were also issued as part of the conversion of the $4,500,000 convertible promissory notes.

In connection with the closing of the Transaction, the parties paid customary advisory fees to an eligible arm's length third party finder (the "Finde"), 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 with a fair value of $720,880, as well as a cash payment of $200,000.

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 Common 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 $4,061,921. In connection with the closing of the initial tranche, the Company paid eligible finders cash fees of $33,243. On August 31, 2023, Yerbaé closed the second tranche of the Offering which consisted of the issuance by the Company of 225,329 Units for aggregate gross proceeds of $412,352.

NOTE 10 – SHARE CAPITAL (Continued)

Yerbae entered into an agreement, as amended on June 19, 2023 (the "FORCE Family Agreement") with FORCE Family Office Inc. ("FORCE"). Under the terms of the FORCE agreement, FORCE will provide certain business development and corporate strategies services to enhance the Company's growth and market positioning. In consideration for the services to be provided by FORCE, the Company agreed to pay FORCE an aggregate consulting fee of $150,000 payable in Common Shares as to $25,000 in Common Shares on the date that is one month from the date of execution of the FORCE agreement at a deemed price per Common Share equal to the prevailing market price of the Common Shares on the date of such payment and $125,000 in Common Shares on the date of expiration of the six month term at a deemed price per Common Share equal to the prevailing market price of the Common Shares on the date of such payment. Accordingly, on July 21, 2023 the Company issued 11,363 Common Shares to FORCE at a deemed price of $2.20 per Common Share in satisfaction of the initial $25,000 payment.

On November 16, 2023, Yerbaé issued 159,496 Common Shares upon the exercise of 159,496 warrants. On November 24, 2023, Yerbaé issued 66,489 Common Shares at a deemed price of US$1.88 per Common Share to FORCE pursuant to the terms of the FORCE Family Agreement.

On December 29, 2023, Yerbaé granted, effective January 1, 2024, an aggregate of 531,250 Options, 1,666,665 RSUs and 1,002,775 PSUs. Each Option, once vested, is exercisable into one Common Share at a price of $0.96 per Common Share for a period of 7 years. Each RSU representing the right to receive, once vested twelve (12) months from the date of grant, in accordance with corresponding the RSU award agreements, one Common Share. Each PSU representing the right to receive, once vested, in accordance with the correspondence PSU award agreements and achievement of the performance criteria, one Common Share.

During the year ended December 31, 2023, $525,000 in principal amount of Debentures and $14,606 in accrued interest was converted into an aggregate of 375,000 Common Shares. The principal amount was converted using a Common Share price of $1.40 and the accrued interest was converted using a weighted average Common Share price of $1.81.

During the year ending December 31, 2023, the Company received proceeds of $1,040,212 in relation to the exercise of an aggregate of 1,094,968 Warrants at $0.95 per Common Share resulting in the issuance of 1,094,968 Common Shares. At December 31, 2023, there were 58,822,126 common shares issued and outstanding.

For the three month period ended March 31, 2024, the Company had the following equity transactions:

On January 16, 2024, the Company issued 835,000 Common Shares to one eligible warrant holder (the "Eligible Holder") who participated in the Company's warrant exercise incentive program and exercised an aggregate of 835,000 share purchase warrants for aggregate proceeds of $1,002,000. To induce the early exercise of the warrants, the Company issued an aggregate of 835,000 share purchase warrants (each, an "Incentive Warrant") to the Eligible Holder. Each Incentive Warrants is exercisable into the same number of Common Shares at an exercise price of $1.50 until December 14, 2025, subject to an acceleration provision whereby, if for any thirty (30) consecutive trading days (the "Premium Trading Days") following the repricing the closing price of the Common Shares exceeds $2.50 per Common Share, the Incentive Warrants' expiry date will be accelerated such that holders will have thirty (30) calendar days to exercise the Incentive Warrants (if they have not first expired in the normal course).

On January 22, 2024, the Company issued 263,157 Common Shares upon the exercise of 263,157 share purchase warrants at an exercise price of $0.95 per Common Share for gross aggregate proceeds of $249,999.15.

On January 30, 2024, the Company issued 352,941 Common Shares upon the exercise of 352,941 share purchase warrants at an exercise price of $0.85 per Common Share for gross aggregate proceeds of $299,999.85.

In accordance with the guidance in ASC 815-40-35, the Company determined that the exchange was related to an equity financing (i.e., the inducement of the existing warrants) and therefore recognized the excess in fair value of the

NOTE 10 – SHARE CAPITAL (Continued)

exchanged instrument over the fair value of the instrument immediately before it was exchanged as an equity issuance cost.

Performance Shares

During the three months ended March 31, 2023, the Company granted 5,000,000 Performance Shares to the CEO and Chief Operating Officer upon consummation of the Transaction. These Performance Shares are held 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 TSXV, future equity financings, and certain trailing gross revenue targets. An aggregate of 2,500,000 of these Performance Shares were released from escrow upon certain performance criteria being met during the year ended December 31, 2023.

During the three months ended March 31, 2023, the Company granted 3,000,000 Performance Shares to the external parties in connection with the Transaction. 1,000,000 of these Performance Shares were to be released upon completion of the Transaction. The remaining 2,000,000 Performance Shares were subject to escrow until completion, within twelve months of the Listing Date, by the Parent of a financing of a minimum aggregate of $7,000,000 (excluding the proceeds from the Concurrent Financing) at a valuation of the Company equal to a minimum of $50,000,000. These performance criteria were met during the year ended December 31, 2023.

NOTE 11 – LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss by the weighted average number of Common Shares issued during the three months ended March 31, 2024 and 2023. The following table reflects the loss and share data used in the basic loss per share calculations:

	For the Three Months Ended March 31,	
	2024	2023
Net loss	$ (2,793,709)	$ (8,882,782)
Basic and diluted weighted average number of Common Shares in issue	60,258,351	44,015,564
Basic and diluted loss per share	($0.05)	($0.20)

Diluted loss per share did not include the effect of outstanding stock options, restricted share units (each, a “RSU”), performance share units (each, a “PSU”), and deferred share units, Performance Shares, warrants and convertible debentures as the effect would be anti-dilutive.

NOTE 12 – RELATED PARTIES

On January 30, 2023, the Company entered into a loan agreement with a director of the Company. An aggregate of $100,000 was advanced by the related party pursuant to the loan agreement. The loan was fully repaid during 2023.

NOTE 13 – EMPLOYEE SHARE-BASED PAYMENT ARRANGEMENTSNOTE 15 - INCOME TAXES

The Company recognized pre-tax accounting losses for both the period ended March 31, 2024 and March 31, 2023. As of March 31, 2024, any deferred tax assets, which have been recognized primarily as a result of loss carryforwards, have been fully offset by a valuation allowance. As such, for both the three months ended March 31, 2024 and March

31, 2023, there were no significant variations in the relationship between income tax expense and pretax accounting income.

NOTE 16 - COST OF GOODS SOLD

Cost of goods sold is primarily comprised of materials, including in-bound freight, and rent related to the Company's manufacturing facilities. The breakdown for the items within costs of sales was the following for the fiscal years presented:

	For the Three Months Ended March 31,	
	2024	2023
Materials	$ 574,241	$ 1,732,210
Warehouse rent (non-lease)	46,021	33,805
Cost of goods sold	$ 620,262	$ 1,757,015

NOTE 17 – GENERAL AND ADMINISTRATIVE

General and administrative consisted of the following expenses during the periods presented:

	For the Three Months Ended March 31,	
	2024	2023
Share-based compensation	$ 944,865	$ 104,455
Performance shares	-	6,086,596
Outbound freight	424,150	758,600
Employee benefits	756,224	731,590
Professional fees	260,742	337,067
Office expenses	302,611	284,221
Other	203,682	192,100
Total general and administrative expenses	$ 2,892,274	$ 8,494,629

NOTE 18 –FINANCIAL RISK MANAGEMENT

Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily accounts receivable) and from its financing activities, including deposits with banks and financial institutions. The Company places its cash with high quality credit institutions. From time to time, the Company maintains cash balances at certain institutions in excess of the Federal Deposit Insurance Corporation ("FDIC") limit. As of March 31, 2024 and December 31, 2023, the Company had cash balances that exceeded the FDIC limit with four financial institutions. Management believes that the risk of loss is not significant and has not experienced any losses in such accounts.

Interest Rate Fluctuation Risk

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. As of March 31, 2024 and December 31, 2023, we did not have any cash equivalents.

The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Because we only hold cash and, our portfolio's fair value is insensitive to interest rate

changes. In future periods, we will continue to evaluate our investment policy in order to ensure that we continue to meet our overall objectives. A hypothetical 100 basis point increase or decrease in interest rates would not have a material effect on our financial results.

Price Risk

In the normal course of business our financial position is routinely subject to a variety of risks. The principal market risks (i.e., the risk of loss arising from adverse changes in market rates and prices) to which we are exposed are fluctuations in commodity and other input prices affecting the costs of our raw materials (including, but not limited to, increases in the costs of aluminum cans, as well as certain sweeteners), fluctuations in energy and fuel prices, as well as limitations in the availability of aluminum cans and certain other raw materials and packaging materials. We generally do not use hedging agreements or alternative instruments to manage the risks associated with securing sufficient ingredients or raw materials. We are also subject to market risks with respect to the cost of commodities and other inputs because our ability to recover increased costs through higher pricing is limited by the competitive environment in which we operate.

NOTE 18 –FINANCIAL RISK MANAGEMENT (Continued)

We do not use derivative financial instruments to protect ourselves from fluctuations in interest rates and, except for aluminum, generally do not hedge against fluctuations in commodity prices.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of the aggregate of short-term and long-term debt (including convertible debt) additional capital and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions and externally imposed capital requirements. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances. The current objectives are to safeguard the Company's ability to continue as a going concern, provide financial capacity and flexibility to meet its strategic objectives and provide an adequate return to unitholders commensurate with the level of risk.

There were no changes in the Company's approach to capital management during the period.

NOTE 19 - COMMITMENTS & CONTINGENCIES

Litigation

During the ordinary course of the Company's business, it is subject to various claims and litigation. Management believes that the outcome of such claims or litigation will not have a material adverse effect on the Company's unaudited condensed consolidated financial position, results of operations or cash flow.

Commitments

The Company has unconditional purchase obligations for certain raw materials, such as ingredients and bottles. However, none of the contracts related to the purchase obligations are entered into for a period greater than one year.

NOTE 20 - SUBSEQUENT EVENTS

In accordance with the guidance in ASC 855 Subsequent Events, the Company evaluated subsequent events through the date the unaudited condensed consolidated interim financial statements were issued.

On April 1, 2024, the Company granted an aggregate of 376,100 stock options (each, an "Option") to purchase up to 376,100 Common Shares and awarded an aggregate of 891,664 RSUs and 346,666 PSUs. The Options, once vested, are exercisable into one Common Share at a price of $0.52 per Common Share until April 1, 2031 and vest as to (i) 25% 15 months following the date of grant; (ii) 25% 18 months following the date of grant; (iii) 25% 21 months following the date of grant; and (iv) 25% 24 months following the date of grant. Each RSU represents the right to receive, once vested, one Common Share. The RSUs vest 12 months from the date of the RSU Award. Each PSU represents the right to receive, once vested and the requisite performance criteria is met, one Common Share.

On April 8, 2024, the Company issued 1,103,811 Common Shares and 1,103,811 share purchase warrants pursuant to the exercise of certain special warrants of the Company issued in connection with the special warrant financing that closed on December 7, 2023. Each warrant is exercisable into one Common Share at a price of $1.75 until December 7, 2025.