Yerbaé®

Management's Discussion and Analysis

For the three-month periods ended March 31, 2024, and 2023.

Yerbaé Plant-Based Energy- now available in 12oz Sleek Cans

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2024, AND 2023

The following has been prepared for the purposes of providing management's discussion and analysis ("**MD&A**") of the activities, results of operations and financial position of Yerbaé Brands Corp. ("**Yerbaé**" or the "**Company**") for the three months ended March 31, 2024. This MD&A is dated May 30, 2024, and should be read in conjunction with the Company's condensed consolidated interim financial statements for the three months ended March 31, 2024, and 2023 and the notes related thereto (the "**Financial Statements**") and the audited annual consolidated financial statements for the year ended December 31, 2023, and the notes related thereto.

Pursuant to an exemptive relief order issued on April 29, 2024, this MD&A and the condensed consolidated interim financial statements for the three months ended March 31, 2024, and 2023 accompanying this MD&A 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.

All amounts in this MD&A are expressed in U.S. 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; and
- the Company's plans with respect to the payment of dividends.

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; 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 risk factors described under the heading "*Risk Factors*" below and in the Company's Form 10 filed with the

United States Securities and Exchange Commission's on April 22, 2024 and available under Yerbaé's profile on EDGAR.

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 Brands Corp. ("**Yerbaé**" and, collectively with its subsidiaries, the "**Company**") 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 was founded by Todd Gibson and Karrie Gibson in 2016 to create plant-based energy drinks containing yerba mate, a South American herb and a natural source of caffeine. Yerbaé's first beverage was launched in the first quarter of 2017.

Yerbaé is engaged in the development, marketing, sale, and distribution of plant-based energy beverages that do not contain calories, carbohydrates, or sugar. Yerbaé's line of beverages are blended with non-GMO plant-based ingredients and offer the benefits of yerba mate and white tea; sustainably sourced from Brazil and other growing regions in South America.

Yerbaé beverages are created to provide products targeted at consumers focused on health, wellness, and fitness and seeking healthier beverages as an alternative to existing energy drinks. 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 than traditional energy drinks. Yerbaé's products complement a variety of healthy lifestyles, such as non-GMO, Keto, Vegan, Kosher, Paleo and gluten-free diets.

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

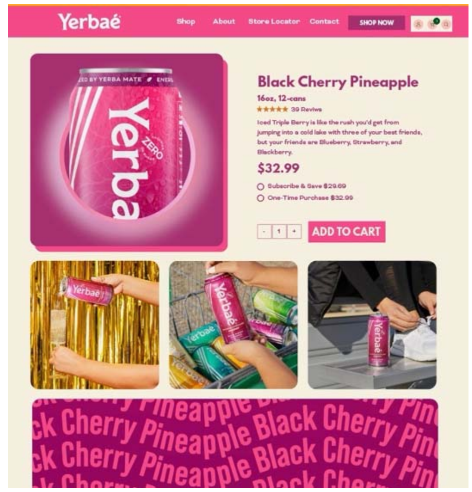
Yerbaé Brands Co. was incorporated under the State of Delaware *General Corporation Law* on August 21, 2020. Yerbaé LLC was organized under the State of Delaware Limited *Liability Company Act* on May 18, 2016.

Operations

Yerbaé's operations team and headquarters are based in Scottsdale, Arizona. As of March 31, 2024, Yerbaé had 17 employees and 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's products are available in approximately 14,000 retail locations and are currently only sold in the United States.



Discussion of Strategic Initiatives

During Q1 2024, Yerbaé initiated a significant transition from its 16oz Plant Based Energy platform to a 12oz sleek can, aligning with industry trends and consumer preferences. This shift, designed to be consumer-friendly and innovative, will be implemented over several months as current 16oz inventory is sold off. The decision to transition all at once, rather than over annual set seasons, aims to minimize disruption and align the company more quickly with market demands.

Sales Performance:

Yerbaé reported a 58% decline in sales, from $3,386,907 in Q1 2023 to $1,434,971 in Q1 2024. This decrease was influenced by several strategic decisions:

1. Non-Renewal of Sam’s Club Agreement: The decision to end the partnership with Sam’s Club, which contributed approximately $1.2 million to the sales decline, was due to high marketing and operational costs.

2. Transition to 12oz Cans: The shift from 16oz to 12oz cans caused temporary sales disruptions as retailers transitioned their inventory.

Operational Developments:

Reduction in Losses: Yerbaé significantly reduced its losses from $8.8 million in Q1 2023 to $2.7 million in Q1 2024. Improvements included an increase in gross margin from 48% to 56% and a decrease in general and administrative expenses by 66%.

Retail Opportunities The 12oz package has generated interest from major retailers like Kroger and Target, expected to positively impact revenues starting in Q3 2024.

E-commerce Growth: Despite the sales decline, Yerbaé saw a 48% growth in e-commerce sales in Q1 2024, anticipating further growth with the new 12oz line.

New Retail and Distributor Agreements: Yerbaé secured distribution with Kroger and Target and expanded its DSD distributor network, enhancing its market presence.

University Co-Branding: In collaboration with Penn State University's NIL service provider, Yerbaé launched a co-branded product for the Pennsylvania market.

Future Outlook:

Yerbaé's strategic decisions, including the shift to 12oz cans and new retail partnerships, are expected to position the company for long-term growth. While these changes caused a temporary decline in Q1 results, the company anticipates positive revenue impacts from Q3 2024 onwards. Yerbaé remains committed to adapting to market demands and optimizing its product offerings to drive sustainable growth. The Company will continue to offer 16oz cans to cater to diverse consumer preferences.

Principal Products and Services

Yerbaé is an innovative and health-focused beverage company that creates clean functional plant-based products promoting a healthy lifestyle. 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-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 focused on health, wellness, and fitness and seeking healthier beverages as an alternative to traditional energy drinks. 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 March 31, 2024, Yerbaé's products are sold and available on Amazon.com, www.yerbae.com and sold in over 14,000 retail locations in the United States marketplace. Yerbaé offers 2 different beverage lines which are our Plant-Based Unsweetened Energy Seltzer Water and our Plant-Based Energy Drink.


Energy Seltzer Water

Yerbaé's Plant-Based Unsweetened Energy Seltzer Water is Yerbae's OG line and is Non-Gmo Project Verified and made with Yerba Mate, White Tea, and Guarana Seed and has 100 mg of caffeine, zero sugar and zero calories. The seltzers offers a lighter bubbly flavor than the Energy Drink line and is available in 5 delicious flavors.

Plant Based Energy

Yerbaé's Plant-Based Energy drink line was introduced in a 16oz can 2020 for those consumers looking for a healthier alternative that want a bolder sweeter flavor with a bit more caffeine. It is Non-Gmo, Gluten Free, Paleo, Vegan, and Keto friendly and made with Yerba Mate and White Tea, and has 160 mg of caffeine, zero sugar and zero calories. The beverage offers a bolder bubbly flavor than the then the seltzers and is now available in 6 delicious flavors in both 16oz and 12oz sleek cans.

All of Yerbae's products are generally packaged and sold in 12, 15, and 20 can packs with several different variety packs available in store and online. Consumers can sign up for subscriptions to Yerbae on Amazon and the Company's website.

Yerbaé is consistently optimizing its product 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.

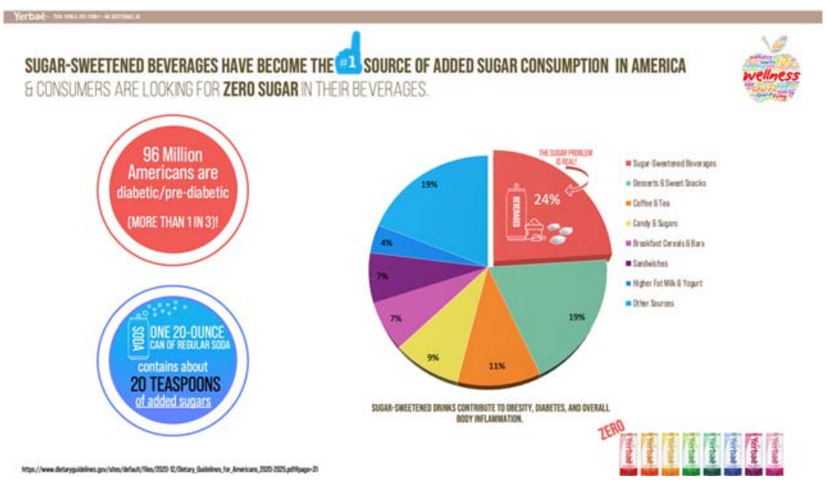
Markets

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 U.S. 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).

Source: [United States Energy Drink Market Competition Forecast & Opportunities, 2028 (researchandmarkets.com)]

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 player in this large addressable market and fastest growing non-alcoholic beverage category.



Strategy

Yerbaé is a naturally caffeinated beverage that is clean, simple, and delicious and gives the body energy from its plant-based functional ingredients. Yerbaé has successfully sold over 32 million cans of product to USA consumers.

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

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

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

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

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

-Sustainability – Zero single-use plastic bottles.

-Simple-Clean-Delicious.

To support our 5 key pillars, Yerbaé has undertaken significant marketing efforts aimed at building 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 and sampling.

The energy drink market is expected to experience significant growth through 2031, as reported by Research and Markets in 2022. The North American market is currently dominated by two legacy brands that share about 82% of the market, as reported by Information Resources, Inc. in 2021. However, emerging brands like Yerbaé have started to impact that market share lead with new products aimed at solving the industry's biggest problem: its ingredients list.

Yerbaé's consumers are estimated to be 56% male and 44% female with the average age range of 24 to 45 years of age. Yerbaé's consumers are engaged in active lifestyles and are looking for healthier energy drink alternatives for their mind and body.

Distribution Channels

Since the initial product launch in 2017, Yerbaé has sold over 32 million cans of Yerbaé. Yerbaé's line of products are currently available in over 14,000 retail locations in the U.S. 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 wholesaler distributors who purchase product from the Company, which they store at their warehouse distribution centers, for resale and delivery to retailers of the products or to their retailer warehouses for re-distribution to their retail stores. These wholesaler distributors include Vistar, Kehe, United Natural Foods, Inc., and others. The relationship with these wholesaler distributors is a cost-plus model, whereby the Company sells the product to the wholesaler distributor at agreed prices, the wholesaler distributor takes possession of the product and then the wholesaler distributor marks up the prices of the product and re-sells the products to the retailers. If the wholesaler distributors become dissatisfied with the product, the Company loses future opportunities with the retailers who purchase products through this distribution channel. The benefits of this distribution channel include that the wholesaler distributors have an extensive distribution network and provide access to national and other retailers that Yerbaé may not otherwise have access to. This gives Yerbaé the ability to compete with companies like Celsius, Guayaki, Monster, Red Bull, Rock Star, and other national brands.

2. **DSD (Direct Store Delivery)** – This distribution channel is comprised of local distributors who service nationally recognized brands or other independent distribution networks and market and sell the Company's products on Yerbaé's behalf. Once the local distributor sells the products, the Company then ships the products directly to the retailer's store rather than a distribution center. Similar to the broadline distribution channel, the relationship with these distributors is a cost-plus model, whereby the Company sells the product to the distributor at agreed prices and then the distributor marks up the prices of the product and re-sells the products to the retailers. The distributor and the Company work together to build a local distribution and execution plan for the delivery of the products to the retailers. The benefits from this distribution channel is that it allows Yerbaé to have access to the distributor's relationships with retailers and that access, in turn, allows the Company to market its products in competition with the big national brands such as Celsius, Guyaki, Monster, Red Bull, Rock Star, and other national brands. In addition, it allows the Company to have access to the distributor's sales and merchandising teams, which could lead to elevating the brands presence in the local marketplace. The risks from this channel are that the Company may not attract enough new consumers within a local marketplace to justify the shelf placement that the distributor has secured with the local retailers. If the Company cannot gain

the desired attention of the distributors' sales and merchandising teams, this may result in disproportionally low service levels and may result in slower than expected sales.

3. **Direct Distribution** – Yerbaé sells its products directly to the retailer and then ships them to retailer owned warehouses for store distribution and merchandising. The Company will work with national retailers, like the largest club store chain, that have a high desire to work directly with the Company instead of through a distribution partner. In these cases, the retailer will order directly from the Company and the Company will deliver the product directly to these retailers or their warehouses. These relationships may also involve marketing activities and sales representation at the retailer's locations. The advantage of this distribution channel is that it leads to the highest gross margins for the Company. The disadvantage of this distribution channel is that the Company has to be highly sensitive to and responsive to the retailer's needs and, if the product is not generating enough sales for the retailer, then the retailer may discontinue sales of the product.

4. **Direct to Consumer (D2C)** – Yerbaé sells directly to consumers through e-commerce platforms such as Amazon and the Company's own website. The Company lists its products for sale on the Company's website and other affiliated websites such as Amazon.com, Walmart.com and others. The advantage of this distribution channel is that the Company can sell directly to the consumer without a distributor or another retail party in-between the Company and the consumer. Other advantages include that the Company maintains the opportunity to communicate directly to the consumer through email or other forms of communication. The disadvantage of this distribution channel is that the consumer can request a refund if they receive damaged products, late deliveries or are dissatisfied with the products. The Company experiences less than 0.5% of all sales in the form of refunds.

Manufacturing

The Company engages with third-party bottling service providers. Through these relationships, the Company provides the concentrate, blending and batching instructions as well as quality guidance, carbonation requirement and settlement times for the bottling process. The bottling service providers extend various services and 30-day payment terms for all finished goods.

Competitive Conditions

The functional energy drink industry is highly competitive. The principal areas of competition are pricing, packaging, distribution channel penetration, development of new products and flavors, product positioning as well as promotion and marketing strategies. Yerbaé's products compete with a wide range of drinks produced by a relatively large number of manufacturers, most of which have substantially greater financial, marketing and distribution resources and name recognition.

Important factors affecting Yerbaé's ability to compete successfully include the efficacy, taste and flavor of Yerbaé's products, trade and customer promotions, rapid and effective development of new, unique cutting-edge products, attractive and different packaging, branded product advertising and pricing. The success of Yerbaé's social media and other general marketing endeavors may impact Yerbaé's business, financial condition, and results of operation. Yerbaé's products compete with all liquid refreshments and with products of much larger and substantially better financed competitors, including the products of numerous nationally and internationally known producers, such as The Coca Cola Company, Dr. Pepper Snapple Group, PepsiCo, Inc., Nestle, Waters North America, Inc., Monster Energy and Red Bull. Yerbaé also competes with companies that are smaller or primarily local in operation. Yerbaé's products also compete with private label brands such as those carried by supermarket chains, convenience store chains, drug store chains, mass merchants and club warehouses. New competitors continue to emerge, some of which target specific markets as well as the health and wellness space. This may require additional marketing expenditures on Yerbaé's part to remain competitive.

Information about Raw Materials

Yerbaé's principal raw materials include water, flavors, yerba mate, white tea, guarana, caffeine, and stevia. For packaging, the Company uses aluminum cans and cardboard boxes. Most of these ingredients are sourced from domestic suppliers, ensuring reliability and availability. However, yerba mate, white tea, and guarana are imported from international suppliers in Argentina and Brazil, reflecting Yerbaé's commitment to high-quality ingredients. Yerbaé's functional energy beverages are bottled by established third-party bottling service providers strategically located across the United States. These arrangement ensures efficient production and distribution of its products. Yerbaé believes that its diverse third-party co-packing arrangements and supply sources adequately meet its current production needs. By not relying on any single supplier and engaging all suppliers at will, the Company maintains flexibility in sourcing its raw materials, which allows Yerbaé to adapt to market changes and maintain consistent production and supply levels.

Major Customers

Yerbaé's revenues are highly dependent on a limited number of customers and the loss of any one of the Company's major customers could materially and adversely affect its growth and revenues. During the three-month periods ended March 31, 2024, and 2023, Yerbaé's five largest customers contributed 95% in 2023 and 60% in 2024 of its revenues, respectively.

HIGHLIGHTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024

Highlights during and subsequent to the three-month period ended March 31, 2024, include:

- On May 16, 2024, the Company announced it entered into a strategic partnership with Glazer's Beer & Beverage, LLC ("GBB"), a premier beverage distributor renowned for serving over 10,000 retail accounts across Arkansas, Louisiana, and Texas, and of the nation's leading Molson Coors distributors. Through this partnership, Yerbaé has secured distribution across 8 branches in Texas and Louisiana, covering 75 counties in Texas, which extends the reach of the Company and introduces the newest 12 oz energy product line to consumers. GBB will also serve as a broker, facilitating the Company's expansion into other regional chains.

- On May 14, 2024, the Company announced it entered into a strategic partnership with Green Spoon Sales, a natural foods broker based out of Denver, Colorado with over 190 field sales professionals, that brings access to 152 Chain Store decision makers with over 20,000 retail locations nationally amongst the customer base, including major national and regional retailers such as Whole Foods Market, Publix Stores, Albertson's, Wegmans Food Market and other retailers. Yerbaé believes that this partnership will allow it to tap into new markets and reach a broader consumer base across the country. This partnership will also focus on strengthening existing relationships with retail partners, including prominent chains such as Sprouts Farmers Market and Ahold Stop & Shop, Hannaford and more.

- On April 23, 2024, the Company announced strategic distribution partnerships with 7G Distributing and Golden Eagle of Arkansas, expanding the Company's distribution footprint and introduces the Company's 12 oz energy line to its recently announced national retailers and regional customers.

- On April 18, 2024, the Company announced the signing of three strategic distribution partnerships with Ed F. Davis Inc. which covers Dallas-Fort Worth, Maverick Distribution which serves central and eastern Nebraska and central and western Iowa, and Standard Beverage Corporation which covers the entire state of Kansa. Each distributor will bring Yerbaé's newest 12 oz energy product line to consumers which includes five flavors: Mango Passionfruit, Watermelon Strawberry, Black Cherry Pineapple, Raspberry Sorbet and Peachy Mimosa Twist.

- On April 8, 2024, the Company announced its further expansion into the grocery channel with Kroger, the largest U.S. grocery store chain. Yerbae's products will now be available in over 1,000 Kroger locations across the country, solidifying its presence in the retail market. This expansion includes 8 additional Kroger divisions, namely King Soopers, Frys, Fred Meyer, Smiths, Kroger Atlanta Division, Kroger Cincinnati Division, Kroger Houston Division, and Kroger Dallas Division. These new locations join the previously announced Mariano's & Pick 'n Save Kroger divisions. All participating Kroger locations will stock Yerbaé's newest 12 oz energy product line which the Company anticipates will start in Q3 2024.

- On April 1, 2024, the Company announced the appointment of Maruf Raza, CPA, CA to the Company's board of directors effective March 25, 2024. Mr. Raza, currently a Partner and the Senior Vice President of Assurance and National Leader Public Companies at MNP LLP, brings a wealth of experience in chartered professional accountancy and business advisory services. The Company also announced the grant of an aggregate of 376,100 options as well as the award of an aggregate of 891,664 restricted share units and 346,666 performance share units, each effective April 1, 2024, to employees, officers and/or directors.

- On March 27, 2024, the Company announced the launch of two additions to its recently announced 12 oz energy lineup: Peachy Mimosa Twist and Raspberry Sorbet. Available starting April 14th, 2024, consumers can find these exciting new flavors at select retailers across the country, as well as on Amazon and Yerbae's official website.

- On March 25, 2024, the Company announced its expansion into Weis Markets, a prominent Mid-Atlantic food retailer headquartered in Sunbury, Pennsylvania. Weis Markets, with its 200 stores, is a key player in the Mid-Atlantic food retail industry, serving consumers in Pennsylvania, Maryland, New York, New Jersey, West Virginia, Virginia, and Delaware. In addition to Weis Markets, Yerbaé will now be available in several additional grocery and convenience stores across Pennsylvania, including Lykens Market, McLanahan's Market, Snappy's Gas Stations, and Nittany Minimart that are all anticipated to begin selling Yerbaé products in April 2024. This expansion is driven by Yerbaé's recently announced national partnership with Happy Valley United "(HVU"), the Name, Image, and Likeness ("NIL") collective supporting all 31 varsity sports and more than 800 Penn State student-athletes. This partnership has also led to the exclusive branded product being available in select Target locations in Pennsylvania starting in April 2024. Yerbaé also announced its expansion into select Target stores in 32 states across the country, further extending its reach to consumers nationwide. This distribution expansion will make Yerbaé's newly launched 12 oz energy line available in over 232 new locations across the Northeast.

- On March 20, 2024, the Company announced its expanding distribution into select Target locations across the country. Target is one of the nation's leading retailers, and Yerbaé's 12 oz energy line will be available in participating Target locations, starting April 2024.

- On March 15, 2024, the Company announced it engaged the services of ICP Securities Inc. ("ICP") to provide automated market making services, including use of its proprietary algorithm, ICP Premium™. The Company also announced the appointment of Karrie Gibson, as interim CFO in addition to her position as COO of the Company, replacing Nicholas Cranny who stepped down as interim CFO.

- On March 13, 2024, the Company announced its partnership with Terborg Distributing and Pure Beverages to amplify its presence in the states of Indiana and Kentucky. Each distributor will be delivering 5 SKU's of Yerbae's newest 12oz energy product line.

- On March 5, 2024, the Company announced its partnership with three major Anheuser-Busch distributors in Pennsylvania. Finalizing agreements with W.R. Hickey, Edwin H. Kleckner and Northeast Eagle Distributing marks the build-out and expansion for Yerbaé into the Pennsylvania marketplace. The coverage of the three distributors will bring Yerbaé into 21 new counties and offer Yerbaé's newest 12oz energy product line including the Happy Valley United package that supports Penn State student athletes.

- On January 19, 2024, the Company announced it had received final TSX Venture Exchange approval to the repricing of an aggregate of 3,234,675 outstanding common share purchase warrants (the "Warrants") from US$1.50 to US$1.20. The Company also announced that one eligible warrant holder participated in the Company's warrant exercise incentive program and exercised an aggregate of 835,000 Warrants for aggregate proceeds to the Company of $1,002,000 (see "*Liquidity and Capital Resources – Warrant Exercise*").

- On January 18, 2024, the Company announced an expansion and deepening of its strategic partnership with the Largest Club Store Chain in the United States into a new division, offering a variety pack of the Company's top selling flavors.

- On January 16, 2024, the Company announced a strategic partnership with Vistar, one of the largest foodservice distribution companies in North America. Vistar, which has over 21 distribution centers nationally and caters to over 60,000 customers nationwide, will stock Yerbaé's new 12oz energy line across the United States.

- On January 11, 2024, the Company announced the launch of its 12 oz energy line, in response to consumer demand for a more compact can from its 16 oz line, with three initial flavors: Mango Passionfruit, Black Cherry Pineapple & Watermelon Strawberry. The Company believes the growth potential with customers will increase as this package will allow retailers to stock more inventory in the same linear footage on shelf and the Company will benefit by stronger holding power with more cases on hand at the retail location. The Company believes this will also help minimize out of stocks from distributor to retailer.

- On January 9, 2024, the Company announced expansion in its distribution channels through a strategic partnership with Pick n Save, a mid-west supermarket chain owned by Kroger, for distribution across all its locations across Wisconsin.

- On January 3, 2024, the Company announced expansion in its distribution channels through a strategic partnership with Mariano's, a mid-west supermarket chain owned by Kroger, for distribution across all locations in the greater Chicago region.

RESULTS OF OPERATIONS

The following table sets forth selected financial information for the three-month period ended March 31, 2024, and March 31, 2023. The selected financial information set out below has been derived from the Financial Statements and accompanying notes. 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.

	For the three months ended March 31,	
	2024	**2023**
Revenues	$ 1,434,971	$ 3,386,907
Net loss and comprehensive loss	$ (2,793,709)	$ (8,882,782)
Basic and diluted loss per share	$ (0.05)	$ (0.20)
Basic and diluted weighted average shares outstanding	60,258,351	44,015,564

	As at March 31, 2024	**As at December 31, 2023**
Total assets	$ 3,537,995	$ 4,101,810
Total non-current liabilities	$ 2,520,983	$ 2,389,145
Working capital	$ 704,843	$ 843,478

Analysis of Q1 2024 results compared to Q1 2023

For the three-months ended March 31, 2024

The Company recorded a net loss of $2,793,709 for the three-month period ended March 31, 2024 ("Q1 2024") compared to a net loss of $8,882,782 the three-month period ended March 31, 2023 ("Q1 2023"). The improvement in net loss between the periods was mainly a result of lower general and administrative expenses and lower advertising and marketing expenses, offset by reduced revenues during Q1 2024.

Revenues

During the first three months of 2024, the Company's gross margins improved 10 percentage points to 56% in Q1 2024, from 46% compared to Q1 of 2023. The increase in gross profit margin was primarily driven by operational and manufacturing efficiencies due to the packaging transition from 16oz cans to 12oz sleek cans.

	For the three months ended March 31,		**Change**	
	2024	**2023**	**$**	**%**
Revenues	$ 1,434,971	$ 3,386,907	$ (1,951,936)	-58%

During Q1 2023, Yerbaé reported sales of $3,386,907. In Q1 2024, sales had decreased to $1,434,971, marking a 58% decline. This drop can be attributed to several strategic decisions and market dynamics that the Company navigated during this period.

During Q1 2024 the Company initiated several key strategic changes that affected its revenues. The Company made the decision to shift from its 16oz can to the 12oz sleek can that the Company sees is gaining traction as the size of choice in its category. This strategic shift aligns with consumer consumption trends and the preferences of major retailers and their consumers such as Kroger and Target, who requested the smaller, more cost-effective 12oz format for the consumers they service. The package transition led to temporary sales disruptions as distributors and retailers depleted their existing stock of 16oz cans before ordering the new 12oz package. This is expected to take several months for the transition While there is no ideal time to make such a major transition for the brand, the Company decided it was the best interests for future growth potential to make this switch. Although short term revenues into Q2 2024 will be affected, the Company believes that the consumer acceptance will remain high and that in a smaller more consumer friendly package, the Company may experience higher sales in same stores on a per unit basis.

In addition, Yerbaé decided not to renew its relationship with Sam's Club, which contributed the majority of the reduction in revenues. The decision was driven by the high costs associated with marketing and advertising, sampling and instore fees which ultimately made the partnership not economically viable for the Company to continue its investment with these retail locations.

Despite the overall sales decline, Yerbaé experienced a 48% growth in e-commerce sales in Q1 2024 compared to Q1 2023. The company anticipates further growth in this channel with the introduction of the 12oz energy line, positioning it to compete effectively with other brands in the market that also offer 12oz beverages.

- **New Significant retail and distributor announcements during the period**
  - The company during the first quarter was able to secure two of the most sought-after retailers in the USA Marketplace.
  - The company announced that Kroger has agreed to distribute Yerbae's new 12oz energy platform to over 1,000 Locations in division banners such as Fred Meyer, Smith's, Fry's, King Sooper, Mariano's, Pick N Save and the additional Kroger banner divisions of Houston, Dallas, Cincinnati and Atlanta.
  - During this Target Stores announced the intentions to stock Yerbae in 2nd Quarter in the Target innovation stores across the country.
  - To support the expansion of the retailers Yerbae will be entering an estimate 50+ new DSD distributors in various markets to service the incredible opportunity presented to Yerbae in Q1 of 2024. Several recent distributors announced such a Glazers of Texas, Grey Eagle in St. Louis, Eagle Rock in Denver and many more.

- **Launch of the first Co-Branded University NIL package**
  - The company in collaboration with Penn State University's NIL service provider Happy Valley United created a co-branded product for sales and distribution in the Pennsylvania marketplace that is intended to appeal to the local consumers in support of Penn State University's student athletes

Yerbaé's strategic decisions during Q1 2024, including ending the Sam's Club partnership and transitioning to 12oz cans are decisions that management believes will put the company in the best position for it to compete and positions the company towards long-term growth and market alignment. While these moves caused a temporary decline in quarterly results, the company is poised for future gains as it strengthens its retail and distributor presence and capitalizes on growing e-commerce opportunities. The company expects these initiatives to begin yielding positive revenue impacts from Q3 2024 onwards. Additionally, Yerbaé will continue to offer its 16oz cans to cater to diverse consumer preferences.

Overall, these steps reflect Yerbaé's commitment to adapting to market demands and optimizing its product offerings to drive sustainable growth in the future.

Cost of Sales

	For the three months ended March 31,		Change	
	2024	**2023**	**$**	**%**
Cost of sales	$ 620,262	1,757,015	(1,136,753)	-65%

Cost of sales is primarily comprised of product materials, ingredient costs, bottling, inbound freight, and other related expenses. For the three months ended March 31, 2024, costs of sales decreased by $1.1 million, or 65%, as compared to the same period in 2023. The decrease in cost of sales was directly related to the decrease in sales during Q1 2024 and also as a result of the

Company optimizing its supply chain and materials management, which resulted in increased gross profit percentage during the three months ended March 31, 2024, of 56.8% compared to 48.1% for the three months ended March 31, 2023.

General and Administrative

	For the three months ended March 31,		Change	
	2024	**2023**	**$**	**%**
General and administrative	$ 2,892,274	8,494,629	(5,602,355)	-66%

General and administrative expense included operational and administrative costs as detailed in the following table:

	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

General and administrative expenses decreased to $2.9 million for the three months ended March 31, 2024, compared to $8.5 million for the three months ended March 31, 2023, representing a decrease of 66%. The decrease was primarily due to a decrease in stock-based expense related to Performance Shares granted upon consummation of the Transaction during the three months ended March 31, 2023, of $6.1 million, which was a one-time charge, and a decrease of outbound freight of $0.3 million, offset by an increase of share-based compensation expense of approximately $0.8 million as Yerbaé distributed its first full year stock-based compensation package.

Sales, Advertising and Marketing

	For the three months ended March 31,		Change	
	2024	**2023**	**$**	**%**
Sales, advertising and marketing	457,807	1,971,860	(1,514,053)	-77%

Sales, advertising and marketing decreased to $0.46 million for the three months ended March 31, 2024, compared to $2.0 million for the comparable prior year period. Due to the transition from the 16 oz to 12 oz size and resulting reduced sales during Q1 2024, the Company managed its sales and advertising accordingly and focused is advertising and marketing efforts on its ecommerce businesses such as Amazon and others, where the 16oz products were still offered.

Total Other Expense

	For the three months ended March 31,		Change	
	2024	**2023**	**$**	**%**
Total other expense	258,337	46,185	212,152	459%

Interest expense increased to $0.26 million for the year ended March 31, 2024, compared to $0.05 during the prior comparable period. The increase was primarily related to an increase in accretion expense of $0.2 million related to the principal amount of $3,802,000 of convertible debentures issued after March 31, 2023.

SELECTED QUARTERLY INFORMATION

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

(In thousands of US dollars)	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Revenues	$1,435	$1,970	$3,015	$3,644
Net Comprehensive (Loss)	($2,794)	($4,027)	($4,188)	($3,726
Basic (loss) per share	($0.075)	($0.07)	($0.07)	($0.07

(In thousands of US dollars)	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Revenues	$3,387	$1,870	$1,849	$1,530
Net Comprehensive (Loss)	($8,883)	($4,330)	($1,764)	($1,506)
Basic (loss) per share	($0.44)	($0.14)	($0.06)	($0.05)

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.

REVERSE TAKEOVER TRANSACTION

On May 19, 2022, Kona Bay Technologies Inc. ("**Kona Bay**") (now renamed Yerbaé Brands Corp.), Yerbaé prior to the closing of the Transaction (as defined below), 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 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 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.", details of the reverse takeover Transaction is fully described in Note 4 to the Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

Yerbaé's condensed consolidated interim financial statements for the three months ended March 31, 2024, have been prepared on a basis that assumes that the Company will continue as a going concern and that contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. The Company had an accumulated deficit of approximately $37.3 million as of March 31, 2024 (December 31, 2023 – approximately $34.5 million). Further, the Company had cash and cash equivalents of approximately $0.6 million as of March 31, 2024 (December 31, 2023 - $1.0 million). The Company's primary focus in recent months has been and will continue to be supporting and manufacture of its products which requires capital and resources. The Company expects that its operating losses and negative cash flows will continue for the foreseeable future. Based on the Company's currently available cash resources, current and forecasted level of operations, and forecasted cash flows for the12-month period subsequent to the date of issuance of these consolidated financial statements, the Company will require additional funding to continue to progress its operational obligations as they come due. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due, and to generate profitable operations in the future. Management plans to provide for the Company's capital requirements through financing, operations, or other transactions, including drawing the line of credit (see "*Line of Credit*" below).

As of March 31, 2024, the Company had a working capital surplus of $704,843 compared to working capital of $843,478 as of December 31, 2023. The Company has incurred losses since inception and as of March 31, 2024, had an accumulated deficit of approximately $37.3 million, compared to approximately $34.5 million as of December 31, 2023. 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 primarily relied on private placement financings, lines of credit, and other forms of debt. The material debt financing transactions were as follows:

Notes Payable

During 2023, convertible notes payable were issued in the amount of $3,802,000 with a stated interest rate of 6.00%. The convertible notes were unsecured and are due on April 30, 2025. The outstanding balance of the convertible notes as of March 31, 2024, and December 31, 2023, was $2,364,904 and $2,196,302, respectively.

During 2023, the Company entered into a short-term note payable with Amazon Lending in the amount of $0.3 million. The note payable matures December 26, 2024, has an interest rate of 14.49% and is secured by the Company's inventories. The outstanding balance of the note payable as of March 31, 2024, and December 31, 2023, was $249,485 and $317,000, respectively.

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.

Warrant Exercise

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.

Vesting of RSUs and PSUs

On March 12, 2024, the Company issued an aggregate of 1,493,908 Common Shares at a deemed issue price of $0.74 pursuant to the vesting of certain performance share units (each, a "**PSU**") and restricted share units (each, a "**RSU**"), as to 685,867 PSUs and 808,041 RSUs.

Going Concern

As discussed in Yerbaé's Financial Statements, 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 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.

Cash Flows

The following tables summarize the results of the Company's cash flows for the below respective periods:

	For the Three Months Ended March 31,	
	2024 ($)	2023 ($)
Net cash provided by (used in)		
Operating activities	(1,846,228)	(2,934,064)
Investing activities	(857)	640,709
Financing activities	1,479,476	1,691,694
Net change in cash	(367,609)	(601,661)

Operating Activities

Net cash used in operating activities was approximately $1.8 million for the three months ended March 31, 2024, and was comprised of the net loss of $2.8 million and was primarily offset by net non-cash items totaling $1.1 million, consisting primarily of $1.0 million in share-based compensation expense and $0.2 million in accretion expense. Changes in operating assets and liabilities was ($0.2 million), primarily consisting of a change in accounts receivable of $0.4 million, inventory of ($0.4 million) and accounts payable of ($0.3 million).

Net cash used in operating activities was $2.9 million for the three months ended March 31, 2023. The net loss for the three months ended March 31, 2023, was $8.9 million, which was primarily offset by net noncash items of $6.2 million, primarily consisting of performance-based Common Share (each, a "**Performance Share**") compensation expense upon consummation of the Transaction, $0.1 million in share-based compensation expense, non-cash listing expense of $2.8 million and share-based compensation of $0.1 million. Changes in operating assets and liabilities was ($0.3 million), primarily consisting of a $0.2 million in accounts receivable and ($0.5 million) change in accounts.

Investing Activities

Net cash used in investing activities was $0 million and $0.6 million for the three months ended March 31, 2024, and 2023, respectively. Cash provided in the three months ended March 31, 2023, was comprised primarily of $0.6 million of cash acquired as part of the Transaction with Kona Bay and Yerbaé USA.

Financing Activities

Net cash provided by financing activities was $1.5 million and $1.7 million for the three months ended March 31, 2024, and 2023, respectively. For the three months ended March 31, 2024, these amounts consisted of net proceeds from warrant exercises of $1.6 million and proceeds from debt instruments and notes payable of $0.33 million and offset by payments on debt instruments and note payable of $0.26 million. For the three months ended March 31, 2023, these amounts consisted of payments on debt instruments and notes payable of ($0.8 million) and proceeds from notes payable from related party.

OUTSTANDING SHARE CAPITAL

As of the date of this MD&A, the Company had authorized an unlimited number of common shares without par value and 100,000,000 preferred shares without par value.

Common Shares issued and outstanding, and other securities convertible into common shares are summarized in the following table:

	Number Outstanding as of May 30, 2024	**Number Outstanding as of December 31, 2023**
Common Shares	61,767,132	58,822,126
Preferred Shares	-	-
PSUs	1,416,107	934,623
Options	3,048,876	2,141,526
Warrants	14,188,982	14,805,080
RSUs	2,558,329	938,206

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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no undisclosed off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of its operations, financial condition, revenue or expenses, liquidity, capital expenditures or capital resources that is material to investors.

RELATED PARTY DISCLOSURE

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.

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, 2023, 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.

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.

CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND POLICIES

Critical Accounting Estimates

Revenue Recognition

The Company is in the business of manufacturing plant-based beverages and derives its revenues from one primary source being 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.

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 products to its customers by applying the following steps:

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

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. Also, 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. Yerbaé incurs certain delivery costs prior to transferring control of the Company's product to the 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 the customer (i.e. akin to shipping and handling). Further, the costs are classified in selling, general and administrative within the consolidated statement of operations and comprehensive loss.

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. Yerbaé 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 Yerbaé'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 March 31, 2023, and March 31, 2023. The fair value of the cash and the line of credit is equal to its carrying value due to the short-term nature and liquidity of the instrument. Similarly, the fair value of the 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.

Share-Based Compensation

The Company measures fair value of employee share-based compensation awards on the date of grant and allocates the related expense over the requisite service period. The fair value of restricted share units (each, a "**RSU**") and performance share units (each, a "**PSU**") is equal to the market price of the Common Shares on the date of grant. The fair value of stock options are measured 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 based on 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.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Temporary differences arising between the tax basis of an asset or liability and its carrying amount on the consolidated statement of financial position are used to calculate future income tax assets and liabilities. This method also requires the recognition of deferred tax benefits, such as net operating loss carryforwards. Valuation allowances are recorded as appropriate to reduce deferred tax assets to the amount considered likely to be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to the taxable income (losses) in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment of the change. A tax benefit from an uncertain tax position is recognized only if the Company believes it is more likely than not that the position will be sustained on its technical merits. If the recognition threshold for the tax position is met, only the portion of the tax benefit that the Company believes is greater than 50 percent likely to be realized is recorded.

Convertible Debt

To support its ongoing financing needs, the Company may issue debt with certain embedded options, such as a conversion option, and 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. For convertible debt issued during the fiscal year ended March 31, 2024, and March 31, 2023, Yerbaé determined that the embedded conversion option was indexed to the Company's stock and should therefore not be bifurcated from the debt host and recognized as a derivative liability.

Detachable Warrants

In addition to convertible debt, the Company may also issue detachable warrants in connection with future 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 satisfy the derivative criteria outlined in ASC 815-10. If the warrants satisfy the criteria outlined in in the ASC subtopic, Yerbaé will then determine if they are indexed to the Company's Common Shares. If the warrants are not considered indexed to the Company's Common Shares, they will be recognized as a derivative liability and re-measured to fair value at the end of each reporting period. For warrants issued during either the year ended March 31, 2023, or March 31, 2023, the Company determined that they are indexed to the Company's Common Shares and should therefore be classified in equity.

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 bifurcated from the debt host and the warrants are equity classified). Specifically, the Company will allocate 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 Yerbaé 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.

RISK FACTORS

An investment in the Company is speculative and involves a high degree of risk. Current and prospective shareholders should specifically consider various factors, including the risk factors outlined below. The Company considers the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Company and management may also have an adverse effect on the Company's business. Please see additional risk factors included in the Company's public filings found under the Company's profile on SEDAR+ at www.sedarplus.ca.

Should one or more of these risk factors or uncertainties, including the risks listed below, or a risk that is not currently known to the Company materialize, or should assumptions underlying those forward-looking statements prove incorrect, the Company's business, financial condition, capital resources, results or future operations could be materially adversely affected.

Risks Related to the Business of Yerbaé

The Company may have difficulty realizing consistent and meaningful revenues and achieving profitability.

Yerbaé's ability to successfully develop its products and to realize consistent and meaningful revenues and to achieve profitability cannot be assured. For the Company to realize consistent, meaningful revenues and to achieve profitability, its products must receive broad market acceptance by consumers. Without this market acceptance, the Company will not be able to generate sufficient revenue to continue its business operations. If Yerbaé's products are not widely accepted by the market, the business may fail.

Yerbaé's ability to achieve and maintain profitability and positive cash flow is dependent upon the Company's ability to generate revenues, manage operational and marketing costs and expenses, and compete successfully with its direct and indirect competitors. The Company anticipates operating losses in upcoming future periods. This will occur because there are expenses associated with the development, production, marketing, and sales of the Company's products.

Yerbaé's continued operating losses express substantial doubt about the Company's ability to continue as a going concern.

The Company's financial statements are prepared using generally accepted accounting principles in the U.S. applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Yerbaé has not yet established an ongoing source of revenues sufficient to cover its operating costs and to allow the Company to continue as a going concern. As of December 31, 2023, the Company had an accumulated deficit of $34.5 million. Yerbaé's ability to continue as a going concern is dependent on obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to significantly curtail or cease operations.

Yerbaé management has concluded that its historical recurring losses from operations and negative cash flows from operations as well as its dependence on financings raise substantial doubt about the Company's ability to continue as a going concern and the Company's auditor has included an explanatory paragraph relating to Yerbaé's ability to continue as a going concern in its audit report for the fiscal year ended December 31, 2023.

Yerbaé will need additional funds to continue producing, marketing, and distributing its products.

Yerbaé will have to spend additional funds to continue producing, marketing and distributing its products. If the Company cannot raise sufficient capital, it may have to curtail or cease operations. Accordingly, the Company will need additional funds to continue to produce its products for distribution in its target markets.

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 sufficient sales to cover the Company's expenses and result in profits. Consequently, there is a risk that investors may lose all of their investment.

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

Because of Yerbaé's relative size, the Company must limit its product development, marketing, and sales activities to the amount of capital it raises. As such, Yerbaé may not be able to complete its production and business development program in a manner that is as thorough as the Company would like. The Company may not ever generate sufficient revenues to cover its operating and expansion costs.

A failure to introduce new products or product extensions into new marketplaces successfully could prevent Yerbaé from achieving long-term profitability.

Yerbaé competes in an industry characterized by rapid changes in consumer preferences, so the Company's ability to continue developing new products to satisfy our consumers' changing preferences will determine its long-term success. A failure to introduce new products or product extensions into new marketplaces successfully could prevent the Company from achieving long-term profitability. In addition, customer preferences are also affected by factors other than taste, such as publicity and marketing campaigns. If the Company does not adjust to respond to these and other changes in customer preferences, Yerbaé's sales may be adversely affected.

Yerbaé's growth and profitability depends on the performance of third-party distributors and on the Company's ongoing relationships with them.

Yerbaé's distribution network is essential for the Company's success and relies on the performance of various third-parties. This includes wholesalers, direct store delivery distributors, direct distribution channels, and e-commerce platforms. Any failure or inadequate performance by these distribution parties could impact the Company's operations, profitability, and pose risks to any investment in the securities of the Company.

Yerbaé's distribution model involves a diverse network of wholesalers, distributors, and retailers. Wholesalers purchase our products in bulk and distribute them to retailers or directly to consumers. Distributors handle direct store delivery distribution, ensuring Yerbaé's products reach retail shelves efficiently. Additionally, the Company's direct distribution channels and e-commerce platform enable it to reach customers directly.

There are several potential risks associated with these various arrangements:

> ***Non-Performance*** – There is a risk that wholesalers, distributors, or retailers may refuse to carry or cease marketing Yerbaé's products, disrupting the Company's supply chain and sales channels.
>
> ***Inadequate Performance*** – Third-parties may not fulfill their obligations effectively, such as failing to distribute to enough retailers or positioning Yerbaé's products in unfavorable locations.
>
> ***Financial Instability*** – The financial health or market share of these third-parties may deteriorate, impacting Yerbaé's distribution, marketing, and sales activities.
>
> ***Relationship Management*** – Maintaining positive commercial relationships with wholesalers, distributors, and retailers is essential to ensure continued promotion and availability of Yerbaé's products. Any strain or deterioration in these relationships could have adverse effects on the operations and profitability of the Company.

Overall, the performance of third-party distribution parties and Yerbaé's relationships with them are crucial factors that could affect the business outcomes of the Company and returns for investors.

Yerbaé's business is sensitive to public perception. If any product proves to be harmful to consumers or if scientific studies provide unfavorable findings regarding their safety or effectiveness of caffeinated beverages, then the Company's image in the marketplace would be negatively impacted.

Yerbaé's results of operations may be significantly affected by the public's perception of the Company and similar companies. Accordingly, the business of the Company could be adversely affected if any of Yerbaé's products or similar products distributed by other companies proves to be harmful to consumers or if scientific studies provide unfavorable findings regarding the safety or effectiveness of the Company's products or any similar products. If Yerbaé's products suffer from negative consumer perception, it is likely to adversely affect the Company's business and results of operations.

Increases in the cost, disruption of supply or shortage of ingredients, other raw materials or packaging materials could harm the business of Yerbaé.

Yerbaé and its third-party bottlers will use water, flavors, yerba mate, white tea, caffeine and stevia and packaging materials for bottles such as aluminum 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 the Company's or its bottler's ingredients, other raw materials and packaging materials, to the extent they cannot be recouped through increases in the prices of finished beverage products, could increase the operating costs of the Company and could reduce 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 the Company's products and reduce sales.

An increase in the cost, a sustained interruption in the supply, or a shortage of some of the ingredients used in the Company's products, other raw materials, or packaging materials and containers that may be caused by a deterioration of Yerbaé's or its third-party bottlers' 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 the Company's net revenues and profits.

Yerbaé relies on third-parties to produce and bottle its products, which creates additional risk.

Yerbaé does not own or operate bottling or co-packing facilities used for the production of the various products in its portfolio. The Company relies on certain third-parties to ensure the quality, safety and integrity of Yerbaé's products. If the third-parties that the Company engages to produce and bottle its products fail to meet Yerbaé's demands or are found by government agencies to be out of compliance with applicable regulatory requirements, the supply of those products and the future profit margins of the Company could be adversely affected.

Yerbaé presently relies on a limited number of customers.

Yerbaé's business is highly dependent on a limited number of customers, which exposes the Company to significant risks related to revenue concentration. As such, a substantial portion of the Company's sales is generated from a small number of key customers. Consequently, the loss of, or a significant reduction in orders from, any of these customers could materially and adversely affect Yerbaé's financial condition, results of operations, and cash flows.

Several factors could lead to a loss or reduction in orders from these key customers, including:

1. ***Customer Consolidation*** – Mergers or acquisitions among Yerbaé's customers could reduce the number of purchasing entities, potentially leading to decreased demand for our products.

2. ***Changes in Customer Demand*** – Shifts in consumer preferences towards other beverages, new health trends, or changes in the Company's customers' business strategies could reduce the demand for Yerbaé products.

3. ***Competitive Pressures*** – Yerbaé's customers may choose to source functional beverages from competitors, including new entrants with innovative products or larger companies with established brands, which could result in a loss of business.

4. ***Economic Downturns*** – Economic instability or downturns affecting the Company's customers' markets could lead to reduced orders, as consumers may cut back on discretionary spending, including premium beverages.

5. ***Contractual Relationships*** – Changes in or termination of any existing relationships, or failure to renew or replace any arrangement with Yerbaé customers on favorable terms, could negatively impact the Company's revenue. This includes private label agreements or exclusive supply contracts with major retailers or distributors**.**

Yerbaé's dependence on a limited number of customers may also limits its negotiating power and increase its vulnerability to adverse changes in pricing and contract terms. Additionally, this concentration risk could negatively impact Yerbaé's ability to obtain favorable financing terms or secure new business opportunities.

To mitigate these risks, the Company is actively seeking to diversify its customer base and broaden its market reach. However, there can be no assurance that these efforts will be successful or that they will sufficiently offset the risks associated with Yerbaé's current customer concentration. Failure to diversify Yerbaé's customer base could result in a significant decline in financial performance.

Product contamination or tampering or issues or concerns with respect to product quality, safety and integrity could adversely affect Yerbaé's business, reputation, financial condition or results of operations.

Product contamination or tampering, the failure to maintain high standards for product quality, safety and integrity, including with respect to raw materials and ingredients obtained from suppliers, or allegations (whether or not valid) of product quality issues, mislabeling, misbranding, spoilage, allergens, adulteration or contamination with respect to products in Yerbaé's portfolio may reduce demand for such products, and cause production and delivery disruptions or increase costs, each of which could adversely affect the business, reputation, financial condition or results of operations of the Company. If any of the products in Yerbaé's portfolio are mislabeled or become unfit for consumption or cause injury, illness or death, or if appropriate resources are not devoted to product quality and safety or to comply with changing food safety requirements, the Company could decide to, or be required to, recall products or withdraw from the marketplace and/or it may be subject to liability or government action, which could result in payment of damages or fines, cause certain products in the Company's portfolio to be unavailable for a period of time, result in destruction of product inventory, or result in adverse publicity (whether or not valid), which could reduce consumer demand and brand equity. Moreover, even if allegations of product contamination or tampering or suggestions that Yerbaé's products were not fit for consumption are meritless, the negative publicity surrounding assertions against the Company or its products or processes could adversely affect Yerbaé's reputation or brand. The business of the Company could also be adversely affected if consumers lose confidence in product quality, safety and integrity generally, even if such loss of confidence is unrelated to products in Yerbaé's portfolio. Any of the foregoing could adversely affect the business, reputation, financial condition or results of operations of the Company. In addition, if Yerbaé does not have adequate insurance, if it does not have enforceable indemnification from suppliers, bottlers, distributors or other third-parties or if indemnification is not available, the liability relating to such product claims or disruption as a result of recall efforts could materially adversely affect the business, financial condition or results of operations of the Company.

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.

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.

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.

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.

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's 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.

Risks Related to Regulations Applicable to Yerbaé's Industry

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.

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.

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 also competes with companies that are smaller or primarily local in operation as well as with private label brands such as those carried by supermarket chains, convenience store chains, drug store chains, mass merchants and club warehouses. These companies could bolster their position in the caffeinated plant-based energy beverage market through additional expenditure and promotion.

As a result of both direct and indirect competition, Yerbaé's ability to successfully distribute, market and sell its products, 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.

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.

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 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 United States Federal Trade Commission ("**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.

Risks Related to Yerbaé's Intellectual Property

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.

Yerbaé may face intellectual property infringement claims that could be time-consuming and costly to defend, and could result in loss of significant rights and the assessment of treble damages.

From time to time the Company may face intellectual property claims from third-parties. Some of these claims may lead to litigation. The outcome of any such litigation can never be guaranteed, and an adverse outcome could affect Yerbaé negatively. For example, were a third-party to succeed on an infringement claim against the Company, Yerbaé may be required to pay substantial damages (including up to treble damages if such infringement were found to be willful). In addition, the Company could face an injunction, barring it from conducting the allegedly infringing activity. The outcome of the litigation could require Yerbaé to enter into a license agreement which may not be under acceptable, commercially reasonable, or practical terms or the Company may be precluded from obtaining a license at all. It is also possible that an adverse finding of infringement against the Company may require Yerbaé to dedicate substantial resources and time in developing non-infringing alternatives, which may or may not be possible.

Finally, Yerbaé may initiate claims to assert or defend its intellectual property against third-parties. Any intellectual property litigation, irrespective of whether the Company is the plaintiff or the defendant, and regardless of the outcome, is expensive and time-consuming, and could divert management's attention from Yerbaé's business and negatively affect the operating results or financial condition of the Company.

Yerbaé may be subject to claims by third-parties asserting that its employees or the Company has misappropriated their intellectual property, or claiming ownership of what the Company regard as its own intellectual property.

Although Yerbaé tries to ensure that the Company, its employees, and independent contractors (suppliers/vendors/distributors) do not use the proprietary information or know-how of others in their work, Yerbaé may be subject to claims that the Company, its employees, or independent contractors (suppliers/vendors/distributors) have used or disclosed intellectual property in violation of others' rights. These claims may cover a range of matters, such as challenges to Yerbaé's trademarks, as well as claims that its employees or independent contractors are using trade secrets or other proprietary information of any such employee's former employer or independent contractors. As a result, the Company may be forced to bring claims against third-parties, or defend claims brought against Yerbaé, to determine the ownership of what the Company regard as its intellectual property. If Yerbaé fails in prosecuting or defending any such claims, in addition to paying monetary damages, the Company may lose valuable intellectual property rights or personnel. Even if successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to management of the Company.

Risks Related to Yerbaé's Common Shares

Market price of Common Shares

The market price of the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Yerbaé's control. This volatility may affect the ability of holders of Common Shares to sell their securities at an advantageous price. Market price fluctuations in the Common Shares may be due to Yerbaé's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by Yerbaé or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Common Shares.

Financial markets have historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if Yerbaé's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, Yerbaé's operations could be adversely impacted and the trading price of the Common Shares may be materially adversely affected.

Additional Financing

The continued development of Yerbaé will require additional financing. There is no guarantee that Yerbaé will be able to achieve its business objectives, including with respect to the expansion of its product offerings and entering into new markets. Yerbaé intends to fund its business objectives by way of additional offerings of equity and/or debt financing as well as through anticipated positive cash flow from operations in the future. The failure to raise or procure such additional funds or the failure to achieve positive cash flow could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company.

Given Yerbaé's plans and expectations that additional capital and personnel will be needed, the Company may need to issue additional debt or equity securities. Yerbaé cannot predict the size of future sales and issuances of debt or equity securities or the effect, if any, that future sales and issuances of debt or equity securities will have on the market price of the Common Shares. Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in Yerbaé's earnings per share.

Liquidity

Shareholders may be unable to sell significant quantities of Common Shares into the public trading markets without a significant reduction in the price of their Common Shares, or at all. There can be no assurance that there will be sufficient liquidity of the Common Shares on the trading market, and that Yerbaé will continue to meet the listing requirements of the TSXV, OTCQX® or other public listing exchanges.

History of negative cash flows

Yerbaé has a history of negative cash flow from operating activities. To the extent that the Company has negative cash flow in future periods, Yerbaé may need to allocate a portion of the net proceeds from the sale of securities to fund such negative cash flow. There can be no assurance that additional capital or other types of financing will be available when need or that these financings will be on terms at least as favorable to Yerbaé as those previously obtained, or at all.

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 Shares.

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.

Because Yerbaé does not intend to pay any cash dividends on its Common Shares in the near future, shareholders will not be able to receive a return on their Common Shares unless they sell them.

Yerbaé intends to retain any future earnings to finance the development and expansion of its business. Accordingly, the Company does not anticipate paying any cash dividends on the Common Shares in the near future. The declaration, payment and amount of any future dividends will be made at the discretion of the Board, and will depend upon, among other things, the results of operations, cash flows and financial condition, operating and capital requirements, and other factors as the Board considers relevant. There is no assurance that future dividends will be paid, and if dividends are paid, there is no assurance with respect to the amount of any such dividend. Unless Yerbaé pays dividends, shareholders of the Company will not be able to receive a return on their Common Shares unless they sell them.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR+ at www.sedarplus.ca.