YERBAÉ BRANDS CO.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Yerbaé Brands Co.
Scottsdale, Arizona

Opinion

We have audited the financial statements of Yerbaé Brands Co. (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of loss, changes in stockholders' equity (deficit), and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter Regarding Going Concern

We draw attention to Note 19, which indicates material uncertainties as of that date relating to going concern. As stated in Note 19, these events or conditions, along with other matters as set forth in the Note, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appear to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jason Evans.

Sikich LLP

Naperville, Illinois
April 26, 2023

FINANCIAL STATEMENTS

YERBAÉ BRANDS CO.

STATEMENTS OF FINANCIAL POSITION
(Expressed in U.S. Dollars)

December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 856,547	$ 347,806
Accounts receivable (Note 2)	922,725	308,417
Inventories (Note 6)	921,954	437,376
Unamortized incentives	21,635	-
Prepaid expenses and other current assets	116,861	110,847
Total current assets	2,839,722	1,204,446
Property and equipment, net (Note 5)	191,200	241,891
OTHER ASSETS		
Right-of-use assets - operating leases	340,411	-
TOTAL ASSETS	$ 3,371,333	$ 1,446,337
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	$ 2,733,015	$ 799,184
Current maturities of notes payable (Note 9)	3,811,622	61,681
Due to Ampla (Note 7)	879,555	319,276
Current portion of long-term operating lease liabilities	74,272	-
Accrued interest	46,264	-
Accrued expenses	668,164	367,821
Total current liabilities	8,212,892	1,547,962
NONCURRENT LIABILITIES		
Long-term operating lease liabilities	296,913	-
Notes payable (Note 9)	279,882	315,030
Total noncurrent liabilities	576,795	315,030
Total liabilities	8,789,687	1,862,992
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, $.0001 par value, 39,875,000 shares authorized, 30,217,566 and 29,383,364 shares issued and outstanding at December 31, 2022 and 2021, respectively (Note 12)	1,923	1,840
Additional paid-in capital	5,977,997	4,928,816
Additional paid-in capital - stock options	502,551	-
Warrants outstanding	2,546,912	-
Accumulated deficit	(14,447,737)	(5,347,311)
Total stockholders' equity (deficit)	(5,418,354)	(416,655)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 3,371,333	$ 1,446,337

See accompanying notes to financial statements.

YERBAÉ BRANDS CO.

STATEMENTS OF LOSS
(Expressed in U.S. Dollars)

For the Years Ended December 31, 2022 and 2021

	2022	2021
REVENUES		
Gross revenues	$ 7,811,248	$ 6,839,879
Less discounts	(644,401)	(794,790)
Total net revenues	7,166,847	6,045,089
COST OF SALES	2,952,273	2,423,723
Gross profit	4,214,574	3,621,366
OPERATING EXPENSES	11,919,895	7,248,056
Loss from operations	(7,705,321)	(3,626,690)
OTHER INCOME (EXPENSE)		
Interest expense	(1,395,105)	(174,971)
Total other income (expense)	(1,395,105)	(174,971)
NET LOSS BEFORE INCOME TAXES	(9,100,426)	(3,801,661)
Income tax expense (Note 10)	-	-
NET LOSS	$ (9,100,426)	$ (3,801,661)
LOSS PER SHARE		
Basic (Note 17)	$ (0.31)	$ (0.14)
Diluted (Note 17)	$ (0.31)	$ (0.14)

See accompanying notes to financial statements.

YERBAÉ BRANDS CO.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(Expressed in U.S. Dollars)

For the Years Ended December 31, 2022 and 2021

	Common Stock		Additional	Additional Paid-In			
	Number of Shares	Amount	Paid-In Capital	Capital - Stock Options	Warrants Outstanding	Accumulated Deficit	Total
BALANCE (DEFICIT), DECEMBER 31, 2020	24,080,429	$ 1,508	$ 880,299	$ -	$ -	$ (1,545,650)	$ (663,843)
Issuance of common stock (Note 12)	5,302,935	332	4,048,517	-	-	-	4,048,849
Net loss	-	-	-	-	-	(3,801,661)	(3,801,661)
BALANCE (DEFICIT), DECEMBER 31, 2021	29,383,364	1,840	4,928,816	-	-	(5,347,311)	(416,655)
Issuance of common stock (Note 12)	834,202	83	1,049,181	-	-	-	1,049,264
Stock compensation expense (Note 14)	-	-	-	502,551	-	-	502,551
Warrants outstanding (Note 15)	-	-	-	-	2,546,912	-	2,546,912
Net loss	-	-	-	-	-	(9,100,426)	(9,100,426)
BALANCE (DEFICIT), DECEMBER 31, 2022	30,217,566	$ 1,923	$ 5,977,997	$ 502,551	$ 2,546,912	$ (14,447,737)	$ (5,418,354)

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See accompanying notes to financial statements.

YERBAÉ BRANDS CO.

STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)

For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (9,100,426)	$ (3,801,661)
Adjustments to reconcile net loss to net cash flows from operating activities		
Bad debt	49,007	25,304
Depreciation	50,691	11,563
Accretion on detachable warrants	1,219,569	-
Noncash operating lease expense	9,139	-
Warrants issued	84,394	-
Stock compensation expense	502,551	-
(Increase) decrease in		
Accounts receivable	(663,315)	51,150
Inventory	(484,578)	(18,611)
Prepaid expenses and other current assets	(6,014)	(110,847)
Increase (decrease) in		
Accounts payable	1,933,831	337,093
Accrued interest	46,264	-
Accrued expenses	300,343	(157,842)
Total adjustments	3,041,882	137,810
Net cash from operating activities	(6,058,544)	(3,663,851)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(253,454)
Net cash from investing activities	-	(253,454)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to Gourmet Growth	(2,126,246)	(2,314,446)
Proceeds from Gourmet Growth	2,686,525	2,264,403
Payments on note payable	(42,258)	(5,743)
Proceeds from note payable	5,000,000	232,454
Proceeds from issuance of common stock	1,049,264	3,849,176
Net cash from financing activities	6,567,285	4,025,844
NET INCREASE IN CASH AND CASH EQUIVALENTS	508,741	108,539
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	347,806	239,267
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 856,547	$ 347,806
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ (221,800)	$ (174,971)
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS		
Notes payable and accrued interest converted to equity	$ -	$ 199,673
Right of use assets exchanged for operating lease liabilities	$ 340,411	$ -
Detachable warrants issued with debt	$ 2,462,518	$ -

See accompanying notes to financial statements.

1. DESCRIPTION OF BUSINESS

Yerbaé, LLC (the Company) a limited liability corporation was formed in 2016 and is a distributor of enhanced sparkling water for distribution throughout the United States. The address of its registered office is 18801 N Thompson Peak Parkway, Scottsdale, Arizona 85255.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the Company:

<u>Basis of Preparation</u>

The accompanying financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements of the Company were approved by the Board of Directors on April 26, 2023.

<u>Current Versus Noncurrent Classification</u>

The Company presents assets and liabilities in the statement of financial position based on current/noncurrent classification. An asset in current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Versus Noncurrent Classification (Continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting date, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Significant Accounting Judgments, Estimates, and Assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties include:

- Financial instruments (See Note 4)

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

- Provision for income taxes (See Note 10)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

- Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

- Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the loses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Further details on taxes are disclosed in Note 10.

Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity date of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits.

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Accounts are considered delinquent when the account is not paid within the terms specified for each customer. To reduce credit risk with accounts receivable, the Company performs ongoing evaluations of its customers’ financial condition and generally requires no collateral from its customers. The expected credit loss is the Company’s best estimate of the amount of probable credit losses in the Company’s existing accounts receivable. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are valued at the lower of cost or net realizable value with cost determined on a first-in/first-out (FIFO) basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed on a straight-line method over the following estimated useful lives of the assets:

	Years
Vehicles	5

Depreciation expense totaled $50,691 and $11,563 for the years ended December 31, 2022 and 2021, respectively.

Revenue From Contracts With Customers

The Company is in the business of manufacturing enhanced sparkling water and derives its revenues from one primary source, product sales. Revenue from contracts with customers is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

Product Sales

Contracts with customers include the sale of sparkling water. The Company transfers control and recognizes revenue from the sale of product at a point in time upon delivery of sparkling water to customers or distributors pursuant to the terms of the contract. In general, the sale of sparkling water does not include multiple promised goods and services.

Sales taxes collected from customers are excluded from revenues and the obligation is included in accrued liabilities until the taxes are remitted to the appropriate taxing authorities. The Company accounts for shipping and handling activities as a fulfillment of its promise to transfer the goods. Accordingly, shipping and handling costs are included in cost of sales.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Performance Obligations and Significant Judgments and Estimates

The transaction price is allocated to each distinct performance obligation using an estimate of stand-alone selling price. The stand-alone selling price is generally based on observable prices. The establishment of stand-alone selling price requires judgment as to whether there is a sufficient quantity of items sold on a stand-alone basis and those prices demonstrate an appropriate level of concentration to conclude that a stand-alone selling price exists.

The following reflects the disaggregation of the Company's net revenue from contracts with customers for the years ended December 31, 2022 and 2021:

Geographical Region

	2022	2021
United States - Midwest	$ 1,899,773	$ 2,545,879
United States - West	1,699,824	1,825,989
United States - East	3,567,250	1,673,221
TOTAL NET REVENUE	$ 7,166,847	$ 6,045,089

Timing of Net Revenue Recognition

	2022	2021
Goods and services transferred at a point in time	$ 7,166,847	$ 6,045,089
Services transferred over time	-	-
TOTAL NET REVENUE	$ 7,166,847	$ 6,045,089

Products are primarily sold to customers throughout the United States. Product orders are typically processed within five days of order receipt and collected within 60 days from shipment. Various economic factors affect the recognition of revenue and cash flows including availability of products at competitive prices from overseas manufacturers; skilled labor; and prompt payment by customers.

Contract Assets and Liabilities

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable (contract assets) on the statement of financial position. Amounts are billed upon shipment of the products and acceptance by the customer. The Company may request advances or deposits from customers before revenue is recognized, which results in contract liabilities. These contract liabilities are released as the performance obligations are satisfied. As of December 31, 2022 and 2021, there were no contract liabilities.

	2022	2021
Accounts receivable	$ 922,725	$ 308,417

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purpose. The differences relate primarily to depreciable assets, expected credit losses, basis of inventories, and certain liabilities. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses and tax credits that are available to offset future taxable income.

Advertising

The Company expenses advertising costs as incurred. Total advertising expense was $2,081,823 and $2,215,823 for the years ended December 31, 2022 and 2021, respectively.

Fair Value Measurement

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Share-Based Payments

The Company records all share-based payments at their fair value. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is charged to reserves. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments. The share-based payments costs are charged to operations over the stock option vesting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-Based Payments (Continued)

Warrants issued are recorded at their fair value using the Black Scholes option pricing model on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to reserves.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and it has the right to direct the use of the asset.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. The right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments, and amounts expected to be payable at the end of the lease term.

The Company does not recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less. The lease payments associated with these leases are charged directly to income on a straight-line basis over the lease term.

During the year ended December 31, 2022, the Company entered into a lease arrangement for office space. For the year ended December 31, 2021, the Company had no lease arrangements. The Company has elected not to separate lease and non-lease components (which transfer a separate good or service under the same contract) and instead the Company accounts for these leases as a single lease component.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Policy Changes

Standards issued but not yet effective up to the date of issuance of the Company's financial statements that are likely to have an impact on the Company are listed below. This listing is of standards and interpretations the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

- Amendments to IAS 1, *Presentation of Financial Statements* - The amendments clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date. The amendments also clarify that the settlement of a liability refers to the transfer by the counterparty of cash, equity instruments, and/or other assets or services. Early application is permitted. The Company intends to adopt the amendments to IAS 1 on the required effective date of January 1, 2023. The Company is in the process of assessing the impact of this amendment.

- Amendments to IAS 1, Presentation of Financial Statements, provides clarification on the conditions with which an entity must comply within 12 months after the reporting period affecting the classification of a liability as current or non-current. The Company will adopt the amendment when it becomes effective in the Company's December 31, 2024 year.

- Amendments to IFRS 7, Financial Instruments: Disclosures, provides clarification on disclosing material accounting policy information regarding the measurement bases for financial instruments. The Company will adopt the amendment when it becomes effective in the Company's December 31, 2023 year.

- Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates, and Errors, provides clarification on the difference between accounting policies and accounting estimates. The Company will adopt the amendment when it becomes effective in the Company's December 31, 2023 year.

- Amendments to IAS 12, Income Taxes, provides clarification on how companies account for deferred taxes on transactions such as leases and decommissioning obligations. The Company will adopt the amendment when it becomes effective in the Company's December 31, 2023 year.

3. CAPITAL MANAGEMENT

The Company's objective when managing capital is to use short-term funding sources to manage its working capital requirements and fund expenditures required to execute its operating and strategic plans. The Company is not subject to any capital requirements imposed by regulators or creditors. As of December 31, 2022 and 2021, the Company's capital structure is composed of the following:

	2022	2021
Cash and cash equivalents	$ 856,547	$ 347,806
Due to Ampla	(879,555)	(319,276)
Notes payable	(4,091,504)	(376,711)
Subtotal	(4,114,512)	(348,181)
Equity (deficit)	(5,566,322)	(416,655)
NET CAPITAL (DEFICIT)	$ (9,680,834)	$ (764,836)

4. FINANCIAL INSTRUMENTS

The Company's principal financial liabilities are comprised of loans, borrowings, and accounts payable. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include accounts receivable and cash and cash equivalents that derive directly from its operations. The Company is exposed to credit risk, liquidity risk, and interest rate risk.

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 credit quality financial institutions, which are federally insured up to prescribed limits. At certain times, the amount of cash equivalents at any one institution may exceed the federally insured prescribed limits; however, no losses have been incurred to date.

4. FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The following are the contractual maturities of financial liabilities as of December 31:

	2022				
Financial Liabilities	Carrying Amount	Contractual Cash Flow	0 to 12 Months	13 to 24 Months	Thereafter
Accounts payable	$ 2,733,015	$ 2,733,015	$ 2,733,015	$ -	$ -
Accrued interest	46,264	46,264	46,264	-	-
Accrued expenses	668,164	668,164	668,164	-	-
Due to Ampla	879,555	879,555	879,555	-	-
Notes payable	4,091,504	5,625,727	5,236,256	61,681	327,790
Operating lease liabilities	371,185	371,185	74,272	136,807	160,106
TOTAL	$ 8,789,687	$ 10,322,910	$ 9,637,526	$ 198,488	$ 487,896

	2021				
Financial Liabilities	Carrying Amount	Contractual Cash Flow	0 to 12 Months	13 to 24 Months	Thereafter
Accounts payable	$ 799,184	$ 799,184	$ 799,184	$ -	$ -
Accrued expenses	367,821	367,821	367,821	-	-
Due to Ampla	319,276	319,276	319,276	-	-
Note payable	376,711	522,109	61,806	61,806	398,497
TOTAL	$ 1,862,992	$ 2,008,390	$ 1,548,087	$ 61,806	$ 398,497

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as market interest rates change. The Company is exposed to interest rate risk on its note payable and due to stockholders, for which the interest rates charged are fixed.

4. FINANCIAL INSTRUMENTS (Continued)

Measurement Categories and Fair Values

As explained in Note 2, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of loss. Those categories are: fair value through profit or loss; loans and receivables; and other financial liabilities. The following tables show the carrying values and the fair values of assets and liabilities for each of these categories as of December 31, 2022 and 2021:

	Loans and Receivables		Other Financial Liabilities		Fair Value Through Profit or Loss	
December 31, 2022	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 856,547	$ 856,547	$ -	$ -	$ -	$ -
Accounts receivable	922,725	922,725	-	-	-	-
Accounts payable	-	-	2,733,015	2,733,015	-	-
Accrued Interest	-	-	46,264	46,264	-	-
Accrued expenses	-	-	668,164	668,164	-	-
Due to Ampla	-	-	3,811,622	3,811,622	-	-
Notes payable	-	-	4,091,504	4,091,504	-	-
Operating lease liability	-	-	371,185	371,185	-	-

	Loans and Receivables		Other Financial Liabilities		Fair Value Through Profit or Loss	
December 31, 2021	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 347,806	$ 347,806	$ -	$ -	$ -	$ -
Accounts receivable	308,417	308,417	-	-	-	-
Accounts payable	-	-	799,184	799,184	-	-
Accrued expenses	-	-	367,821	367,821	-	-
Due to Ampla	-	-	319,276	319,276	-	-
Note payable	-	-	376,711	376,711	-	-

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2022:

		Vehicles
Cost		
Balance at January 1, 2022	$	253,454
Additions		-
Balance at December 31, 2022		253,454
Accumulated Depreciation		
Balance at January 1, 2022		11,563
Additions		50,691
Balance at December 31, 2022		62,254
Carrying Amount		
At December 31, 2021	$	241,891
At December 31, 2022		191,200

6. INVENTORIES

Inventories consist of the following as of December 31, 2022 and 2021:

		2022		2021
Raw material	$	55,462	$	45,133
Finished goods		867,601		393,146
Reserve for shrinkage		(1,109)		(903)
TOTAL	$	921,954	$	437,376

7. DUE TO AMPLA

On December 16, 2019, the Company signed a production run sale agreement with Ampla. The agreement indicates that Ampla will advance funds for production runs for an advance fee of .5% of the invoice. If the production requires an advance deposit, Ampla may add a mark up to the invoice in the amount of .5% to the deposit invoice. The interest charged by Ampla on all outstanding invoices is 1% per month. The agreement automatically extends for one year annually and is guaranteed by a stockholder of the Company. The outstanding balance due to Ampla was $879,555 and $319,276 at December 31, 2022 and 2021, respectively. The agreement has no fixed repayment terms.

8. DUE TO STOCKHOLDERS

In October 2020, the Company issued to stockholders convertible promissory notes in the aggregate principal amount of $200,000. The notes bear interest at a fixed annual rate of 5%. All principal and interest on the notes are due on October 15, 2022. At the sole discretion of the note holders, on or before the maturity date, all principal and accrued interest on the notes could be convertible into shares of the Company's Class A common stock. The notes are convertible at a conversion price equal to the lessor of 50% of the lowest price per share of equity paid by other investors and the average price per share outstanding immediately prior to the conversion. At December 31, 2020, the principal balance of the notes was $200,000. On October 7, 2021, the principal balance of $200,000 plus accrued interest of $10,427 was converted into 194,838 shares of the Company's Class A common stock.

9. NOTES PAYABLE

Notes payable consisted of the following at December 31, 2022 and 2021:

	2022	2021
Note payable to the SBA, secured by all assets of the Company, due July 2050, payable in monthly principal and interest payments of $731. Interest on the note is at 3.75%. The first monthly installment is due in October 2022 and post against accrued interest.	$ 150,000	$ 150,000
Notes payable due in a lump payment at maturity, including interest at 8%, due February 8, 2023. The notes are secured by certain assets of the Company. The note was paid in full subsequent to year end.	500,000	-
Notes payables to two investors in the amount of $4,500,000 in total. The loans accrue interest at 8.00%. All accrued interest was waived on conversion of the notes. The notes are secured by substantially all the assets of the Company and are due on the earlier of 12 months from issue date or upon completion of a liquidation event as defined in the agreements. These notes also contain certain conversion rights as described in the agreement. There are two conversion options: (a) automatic conversion upon liquidation event; and (b) upon maturity of the notes. Subsequent to year end on February 8, 2023, all of the notes have converted into stock of the Company.	3,257,051	-

9. NOTES PAYABLE (Continued)

	2022	2021
Notes payable in monthly installments ranging from $543 to $652, including interest ranging from 2.90% to 5.49%, due October 2026 to December 2026. The notes are secured by vehicles.	$ 184,453	$ 226,711
Subtotal	4,091,504	376,711
Less current maturities	(3,811,622)	(61,681)
TOTAL	$ 279,882	$ 315,030

The notes payables to the investors came with detachable warrants. These warrants are valued at $2,462,518 and have reduced the amount of this note at December 31, 2022. During the year 2022, interest expense in the amount of $1,219,569 was recorded on the accretion of the warrants and added back to the debt balance.

Future principal maturities of long-term debt at December 31 were as follows:

2023	$ 3,811,622
2024	56,200
2025	56,338
2026	28,560
2027	3,565
Thereafter	135,219
TOTAL	$ 4,091,504

10. INCOME TAXES

The Company was converted to a corporation on September 14, 2020. Prior to September 14, 2020, the Company elected to be taxed as a partnership and was not directly subject to federal or state income taxes under the provisions of the Internal Revenue Code and applicable state statutes.

10. INCOME TAXES (Continued)

Income tax expense attributable to income before income taxes differs from the amounts computed by applying the combined federal and state tax rate of 26.1% to pre-tax income as a result of the following:

	2022	2021
Net loss	$ (9,100,426)	$ (3,801,661)
Increase (decrease) in taxable income:		
Permanent differences	2,454	2,454
Temporary differences	2,616,937	(62,503)
Taxable net loss attributable to corporation	(6,481,035)	(3,861,710)
Federal and state blended tax rate	25.9%	26.1%
Computed expected income taxes	(1,678,588)	(1,007,906)
Increase (decrease) in taxes:		
Temporary difference for inventories	(53)	(106)
Rent	(2,386)	-
Warrants	(22,030)	-
Stock appreciation rights	(84,463)	(46,717)
Investment banking fees	(54,817)	-
Legal fees	(100,179)	-
Accrued interest on warrants	(318,349)	-
Interest expense limitation	(86,831)	-
Charitable contribution carryover	(6,051)	-
Depreciation	(13,233)	63,137
Change in unrecognized deferred tax assets	2,366,980	991,592
INCOME TAX EXPENSE	$ -	$ -

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Current income taxes are based on the year's income taxable for federal and state income tax reporting purposes. Total tax provision differs from the statutory tax rates applied to income before provision for income taxes due principally to loan forgiveness amounts that are not taxable and expenses charged which are not tax deductible.

10. INCOME TAXES (Continued)

The net deferred tax assets in the accompanying statement of financial position as of December 31, 2022 and 2021 included the following components:

	2022	2021
Deferred tax asset	$ 3,638,636	$ 1,227,856
Valuation allowance	(3,638,636)	(1,227,856)
DEFERRED TAX ASSET	$ -	$ -

The deferred tax asset as of December 31, 2022 and 2021 was comprised of the tax effect of cumulative temporary differences as follows:

	2022	2021
Inventory	$ 289	$ 236
Rent	2,386	-
Warrants	22,030	-
Stock appreciation rights	131,183	46,720
Investment banking fees	54,817	-
Legal fees	100,179	-
Accrued interest on warrants	318,349	-
Interest expense limitation	86,831	-
Charitable contribution carryover	6,051	-
Depreciation	(49,909)	(63,142)
Net operating loss carryforward - federal	2,232,306	936,170
Net operating loss carryforward - state	734,124	307,872
Valuation allowance	(3,638,636)	(1,227,856)
TOTAL	$ -	$ -

The Company has available at December 31, 2022 and 2021 unused operating loss carryforwards of $11,364,151 and $4,726,008, respectively, which can be carried forward indefinitely and may provide future tax benefits.

The Company recorded a valuation allowance against loss carryforwards and other deferred assets of $3,638,636 and $1,227,856 during the years ended December 31, 2022 and 2021, respectively. The Company has provided the allowances because it is more-likely-than-not that a substantial portion of the assets will not be realized.

11. LEASE

At December 31, 2021, the Company leased office space from one of its members on a month-to-month basis with monthly rentals amounting to $10,378. The Company remained in this office until December 2022 when it signed a long-term lease with an unrelated third party. The Company applied the short-term lease recognition exemption to its office lease until the new lease was signed in 2022. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term. Total amounts paid for rent related to the short-term lease amounted to $93,727 and $121,832 for the years ended December 31, 2022 and 2021, respectively.

On October 5, 2022, the Company signed a lease for a new office facility from an unrelated third party. The Company's obligations under its lease are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased asset. The lease contract includes extension and termination options and variable lease payments, which are further discussed below.

The components of lease cost for operating and finance leases for the year ended December 31, 2022 were as follows:

Operating lease cost	$	9,139
Short-term lease cost		93,727
Variable lease cost		-
TOTAL LEASE COST	$	102,866

Supplemental cash flow information related to leases is included below.

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows for operating leases	$	-

The following table summarizes the lease-related assets and liabilities recorded in the balance sheet at December 31, 2022:

Operating leases		
Operating lease right-of-use assets net of accumulated amortization of $0	$	340,411
Current operating lease liabilities	$	(74,272)
Noncurrent operating lease liabilities		(296,913)
TOTAL OPERATING LEASE LIABILITIES	$	(371,185)

11. LEASE (Continued)

The Company utilizes a risk free rate in determining the present value of lease payments unless the implicit rate is readily determinable.

Weighted-average remaining lease term (years)	
Operating leases	3.1
Finance leases	n/a
Weighted-average discount rate	
Operating leases	1.04%
Finance leases	n/a

The following table provides the maturities of lease liabilities at December 31, 2022:

Year Ending	Operating Leases
2023	$ 77,881
2024	136,562
2025	139,807
2026	23,798
Total future undiscounted lease payments	378,048
Less interest	(6,863)
PRESENT VALUE OF LEASE LIABILITIES	$ 371,185

12. STOCK TRANSACTION

On August 21, 2020, Yerbaé, LLC converted from a Delaware limited liability company into a Delaware corporation and changed its name to Yerbaé Brands, Co. Effective September 14, 2020, all of the then Yerbaé, LLC outstanding Class A, Class B, Class C, and Class D units were converted into Yerbaé Brands, Co. common stock on a 1 to 1 basis. There are no preferences with the stock. Class A and Class B have the same rights as Class D-1 and Class D-2, but in addition, have voting rights. All classes of stock have par value of $0.0001. On April 11, 2022, the Company authorized a stock split in which all shares were split on a 1 to 1.595 basis.

12. STOCK TRANSACTION (Continued)

The following is information pertinent to common stock as of December 31, 2022:

Class	Voting	Authorized	Issued and Outstanding
A	Voting	17,545,000	14,300,398
B	Voting	9,570,000	8,754,023
D-1	Nonvoting	3,190,000	1,909,600
D-2	Nonvoting	3,595,000	3,571,377
D-3	Nonvoting	1,000,000	726,450
2020-1	Nonvoting	849,000	847,966
2022-1	Nonvoting	4,068,500	107,752
Unassigned	Nonvoting	57,500	-
TOTAL		39,875,000	30,217,566

The following is information pertinent to common stock as of December 31, 2021:

Class	Voting	Authorized	Issued and Outstanding
A	Voting	17,545,000	14,300,398
B	Voting	9,570,000	8,754,023
D-1	Nonvoting	3,190,000	1,909,600
D-2	Nonvoting	3,595,000	3,571,377
2020-1	Nonvoting	849,000	847,966
Unassigned	Nonvoting	5,126,000	-
TOTAL		39,875,000	29,383,364

13. EQUITY APPRECIATION RIGHTS PLAN

During the year ended December 31, 2018, the Company entered into an equity appreciation rights plan with certain employees. Under the plan, individuals earn compensation based on the excess of the current fair market values per share of the Company over the fair market values per share of the Company in the year the rights were awarded. These fair value estimates have been based on an agreed upon Company valuation model, as detailed in the Equity Appreciation Rights Plan. At June 30, 2022 and December 31, 2021, the equity appreciation rights carried a $1.14 value. At June 30, 2022 and December 31, 2021, cumulative compensation expense was recorded in the amount of $43,280 and $178,980, respectively, which is included in operating expenses with a corresponding increase to accrued expenses. The rights vest over graded vesting schedules ranging three to five years and are settled in cash. During the six months ended June 30, 2022 and for the year ended December 31, 2021, $119,623 and $285,000, respectively, of additional rights were granted to certain employees. As of June 30, 2022 and December 31, 2021, there was $611,970 and $731,190, respectively, of unrecognized compensation expense related to nonvested rights which will be recognized over the remaining vesting period. The weighted average remaining vesting period, in years, is 2.34 and 2.54 as of June 30, 2022 and December 31, 2021, respectively. Effective July 1, 2022, the Company converted the equity appreciation rights plan into a stock option plan. The new plan retained the original shares granted and grant date. (See Note 14)

As of and for the year ended December 31, 2022 and for the year ended December 31, 2021, the number of rights outstanding and vested are as follows:

	Rights Outstanding		Rights Vested
BALANCE, DECEMBER 31, 2020	655,000	$	110,580
Rights vested	-		68,400
Rights granted	285,000		-
Rights forfeited	(8,000)		-
BALANCE, DECEMBER 31, 2021	932,000		178,980
Stock split 1 to 1.595	355,139		-
Rights vested	-		43,280
Rights granted	119,623		-
Rights forfeited	-		-
Transferred to stock option plan	(1,406,762)		(222,260)
BALANCE, DECEMBER 31, 2022	-	$	-

14. STOCK COMPENSATION PLAN

The Company created the 2022 Stock Option Plan (the Plan) on July 1, 2022, which replaced the equity appreciation plan, under which shares of common stock became available for issuance not to exceed the aggregate number of shares authorized and not issued or outstanding. The Plan is designed to attract, retain, and motivate key employees. Currently, the fair value is recognized as an expense straight-line over the vesting period of the award. Option awards are generally granted with an exercise price equal to the fair market value of the Company's stock at the date of grant, vest over a five-year period, and expire ten years after the grant date. The aggregate number of shares issuable under this plan shall not exceed the lesser of 10% of the Company's total issued and outstanding shares or 5,455,121 shared in total. As of December 31, 2022, 1,969,088 shares were available for grant.

The Company recorded $280,291 in compensation expense for the year ended December 31, 2022 which is included in general and administrative expenses with a corresponding increase to additional paid in capital.

The assumptions used to calculate the fair value of options granted during the year ended December 31, 2022 are as follows:

Weighted-average volatility	30.91%
Weighted-average risk-free rate	3.99%
Dividend yield	0.00%
Expected term years	5

The following is an analysis of options to purchase shares of the Company's stock issued and outstanding as of December 31, 2022:

	Options Outstanding	Weighted Average Exercise Price
OUTSTANDING AT DECEMBER 31, 2021	-	$ -
Transferred from equity appreciation plan	1,406,762	0.71
Granted	-	-
Exercised	-	-
Expired	-	-
Forfeited	(354,093)	0.74
OUTSTANDING AT DECEMBER 31, 2022	1,052,669	$ 0.71

14. STOCK COMPENSATION PLAN (Continued)

Additional information is presented related to options outstanding at December 31, 2022:

Exercise Price Per Share	Options Outstanding	Vested and Exercisable
$ 0.74	885,206	397,147
0.73	15,946	3,189
0.55	151,517	-
TOTAL	1,052,669	400,336

The weighted average grant date of stock options issued during the year ended December 31, 2022 was $0.55 per share. As of December 31, 2022, there was $256,283 of unrecognized compensation expense related to nonvested stock options which will be recognized over the remaining vesting period.

15. WARRANTS

At December 31, 2022, the Company had outstanding warrants to purchase 7,385,741 shares of the Company's stock at prices ranging from $0.85 to $1.50 per unit. The warrants become exercisable at various time through February 8, 2023 and expire at various dates through January 1, 2027. The warrants all vested at February 8, 2023. At December 31, 2022, no shares have been reserved for that purpose.

Management used the Company's industry volatility index in the estimation of the fair value of the warrants.

Using the Black-Scholes-Merton option pricing model, management has determined that the options have a weighted average value ranging from $0.12 to $0.55 per unit, resulting in total value of $2,546,912 which has been recognized as warrants outstanding in stockholders' equity.

The assumptions used in the calculated fair value of warrants are as follows:

Risk-free interest rate	3.99%
Expected life in years at date of issuance	5 years
Expected volatility	30.91%

16. EXPENSES BY NATURE

Expenses by nature consist of the following as of December 31, 2022 and 2021:

	2022	2021
COST OF SALES		
Materials	$ 2,732,495	$ 2,195,340
Rent	219,778	228,383
Total cost of sales	2,952,273	2,423,723
OPERATING EXPENSES		
Advertising, marketing, and promotions	$ 4,009,771	$ 2,558,497
Employee benefits	3,048,273	2,016,930
Shipping	1,848,212	1,668,067
Travel expenses	296,348	191,832
Professional fees	944,270	137,268
Miscellaneous	208,908	119,554
Slotting fees	587,745	103,225
Office expenses	696,077	452,683
Stock option compensation expense	280,291	-
Total cost of sales	11,919,895	7,248,056
TOTAL	$ 14,872,168	$ 9,671,779

17. LOSS PER SHARE/UNIT

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares in issue during the years ended December 31, 2022 and 2021.

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares at December 31, 2022 and 2021.

The following table reflects the loss and share data used in the basic loss per share calculations:

	2022	2021
Net loss	$ (9,257,533)	$ (3,801,661)
Weighted average number of common shares in issue	29,693,146	28,043,164
BASIC LOSS PER SHARE	$ (.31)	$ (0.14)

17. LOSS PER SHARE/UNIT (Continued)

The following table reflects the loss and share data used in the diluted loss per share calculations:

	2022	2021
Net loss	$ (9,257,533)	$ (3,801,661)
Weighted average number of common shares for basic loss per share	29,693,146	28,043,164
Effect of dilution from convertible notes	-	-
Weighted average number of common shares adjusted for the effect of dilution	29,693,146	28,043,164
DILUTED LOSS PER SHARE	$ (.31)	$ (0.14)

18. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the reporting date but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the reporting date, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the reporting date but arose after (that is, non-recognized subsequent events).

Management has evaluated subsequent events through April 26, 2023, which was the date that these financial statements were available for issuance, and determined that the following significant subsequent events occurred:

- On May 19, 2022 Yerbaé entered into a definitive arrangement agreement and plan of merger, as amended on August 31, 2022 (the “Arrangement Agreement”), with Kona Bay Technologies Inc. (“Kona Bay”), Kona Bay Technologies (Delaware) Inc., 1362283 B.C. Ltd. (“FinCo”), Todd Gibson, and Karrie Gibson, related to the proposed merger and business combination of the Company with Kona Bay (the “Transaction”). The Transaction is subject to the final approval of the TSX Venture Exchange (“TSX-V”) and is intended to constitute a reverse takeover (a “RTO”) of Kona Bay by Yerbaé as defined in TSX-V Policy 5.2 – *Change of Business and Reverse Takeovers* (“Policy 5.2”). The combined company that will result from the completion of the Transaction (the “Resulting Issuer”) will be renamed “Yerbaé Brands Corp.” or such other name as agreed to by Kona Bay and Yerbaé.

18. SUBSEQUENT EVENTS (Continued)

- On February 8, 2023 the Company and Kona Bay completed the Transaction. At the time of Closing, an aggregate of 54,493,953 Shares were issued and outstanding of which: 35,848,290 Shares were issued to the former Yerbaé shareholders (inclusive of an aggregate of 5,631,276 Shares issued to former holders of an aggregate of US$4,500,000 in convertible promissory notes of Yerbaé converted immediately prior to Closing), 8,000,000 performance Shares (each, a "Performance Share") were issued to certain individuals, as to 3,000,000 Performance Shares to Klutch Financial Corp. ("Klutch"), and 2,500,000 Performance Shares to each of Todd Gibson and Karrie Gibson, which Performance Shares are to be held in escrow and released upon the completion of certain performance-based incentives related to the listing of the Shares on the TSXV, future equity financings, and certain trailing gross revenue targets, 3,153,746 Shares were issued to the former holders of Warrants exercised in connection with the Closing, and 2,015,163 Shares were issued to former holders of the FinCo Subscription Receipts.

- On April 13, 2023, Yerbaé (the "Company") successfully closed the first tranche (the "First Tranche") of its private placement offering of up to 3,000 unsecured convertible debenture units (collectively, the "Debenture Units") at a price of US$1,000 per Debenture Unit for aggregate gross proceeds of up to US$3,000,000 (the "Offering"). The First Tranche consisted of 1,650 Debenture Units for gross proceeds of US$1,650,000. The Company expects the Offering to be fully subscribed upon the closing of the second and final tranche. The Offering is being conducted by a syndicate of agents let by Beacon Securities Limited ("Beacon") and including Echelon Wealth Partners Inc. and Roth Canada Inc. (collectively with Beacon, the "Agents"). Each Debenture Unit consists of: (i) one (1) US$1,000 principal amount unsecured convertible debenture (each, a "Debenture"); and (ii) 714 common share purchase warrants (each, a "Warrant"). All securities issued in connection with the First Tranche are subject to a statutory four-month hold period. The Company intends to use the net proceeds from the Offering for working capital and general corporate purposes.

19. MANAGEMENT PLANS

As is common for entities in their initial growth stage, Yerbaé has experienced historical losses from operations, including the current fiscal year and a working capital deficit at year end 2022 of $5,373,170. During 2022, Yerbaé raised approximately $4,500,000 in convertible notes and in early 2023 the Company raised $3,000,000 via concurrent financing. Both fund raises were related to the February 2023 reverse takeover of Kona Bay Technologies Inc. by Yerbaé and its shares are now traded on the TSX Venture Exchange (TSX-V), YERB.U. See subsequent events for further details related to the reverse takeover. The Company also expects to raise additional capital during fiscal year 2023.

19. MANAGEMENT PLANS (Continued)

Yerbaé continues to aggressively pursue increased revenue and building brand awareness for 2023 and beyond. In addition, Yerbaé is working toward positive operating cash flows but with continued investments into consumer awareness, new retail expansion, and investment into E-commerce and infrastructure. There can be no assurance that the Company will be successful in accomplishing its objectives; however, management believes these efforts have already begun to positively impact the Company's brand awareness and expects this to continue the progression of the brand's long-term success.

Due to significant investor demand it has increased the size of its previously announced private placement of unsecured convertible debenture units (the "Debenture Units"). The Company will now issue up to 4,000 Debenture Units at a price of US$1,000 per Debenture Unit (the "Issue Price") for aggregate gross proceeds of up to US$4,000,000 (the "Offering"). The Offering is being conducted by a syndicate of agents led by Beacon Securities Limited ("Beacon") and including Echelon Wealth Partners Inc. and Roth Canada Inc. (collectively with Beacon, the "Agents"). The Company closed the first tranche of the Offering for aggregate gross proceeds of $1,650,000 on April 13, 2023. The Company has also granted the Agents an option (the "Agents' Option"), exercisable in whole or in part at any time up to 48 hours prior to the closing of the final tranche of the Offering, to sell up to an additional 600 Debenture Units (each, an "Additional Debenture Unit") at a price per Additional Debenture Unit equal to the Issue Price for additional gross proceeds up to US$600,000, with each Additional Debenture Unit being sold on the same terms as the Debenture Units.