

EXEO ENTERTAINMENT, INC.

FORM 10-Q (Quarterly Report)

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Address	4478 WAGON TRAIL AVE. LAS VEGAS, NV, 89118
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Industry	Computer Hardware
Sector	Technology
Fiscal Year	11/30

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended February 28, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 333-190690

EXEO ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

4478 Wagon Trail Ave
Las Vegas, NV

(Address of principal executive offices)

45-2224704

(I.R.S. Employer
Identification No.)

89118

(Zip Code)

Registrant's telephone number, including area code: (702) 361-3188

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files) . Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer
☐

Accelerated filer
☐

Non-accelerated filer
☐

Smaller reporting
company
☒

Emerging growth
company
☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of the July 29, 2021, there were outstanding **30,709,948** shares of the issuer's common stock, par value \$0.0001 per share. There were also outstanding **17,000 Series A, and 229,250, Series B Preferred Shares** of the issuers preferred stock, par value \$0.0001 per share.

EXEO ENTERTAINMENT, INC.

Form 10-Q

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and Item Regulation S-X, Rule 10-01(c) Interim Financial Statements, and, therefore, do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, cash flows, and stockholders' equity in conformity with generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature. Operating results for the three months ended February 28, 2022 are not necessarily indicative of the results that can be expected for the year ending November 30, 2022.

EXEO ENTERTAINMENT, INC.
CONDENSED BALANCE SHEETS
(unaudited)

	February 28 2022 (unaudited)	November 30, 2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 39,995	\$ 4,607
Inventory, net	42,678	46,693
Prepaid expenses	9,725	15,558
Accounts Receivable	1,322	1,322
Total current assets	93,720	68,180
Operating lease right of use asset	64,765	91,914
Property and equipment, net	15,993	18,606
Website development costs, net	20,437	23,163
TOTAL ASSETS	\$ 194,915	\$ 201,863
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 543,263	\$ 513,637
Accrued interest payable - related party	38,538	37,391
Accrued payroll - officers	223,694	220,028
Derivative Liability	477,238	416,412
Due to related parties	75,000	75,000
Royalty payable	2,196,522	2,120,983
PPP loan payable	29,740	29,740
Operating lease liabilities - current portion	65,573	92,723
Total current liabilities	3,649,568	3,505,914
Long-term liabilities		
Convertible promissory notes payable, net	73,716	41,719
Total long-term liabilities	73,716	41,719
TOTAL LIABILITIES	3,723,284	3,547,633
Commitments and Contingencies - Note H		
Series A redeemable convertible preferred stock; \$0.0001 par value, 1,000,000 shares authorized; 17,500 shares issued and outstanding; 0 shares unissued as of February 28, 2022 and November 30, 2021 (liquidation preference of \$118,175 and \$124,601, respectively). Stated at redemption value.	183,998	180,855
Series B redeemable convertible preferred stock; \$0.0001 par value, 1,000,000 shares authorized; 229,250 and 234,250 shares issued and outstanding; 2,500 shares unissued as of February 28, 2022 and November 30, 2021 (liquidation preference of \$1,178,081 and \$1,074,852, respectively). Stated at redemption value, net of Treasury Stock (2,500 shares)	2,035,848	2,001,941
Stockholders' deficit		
Convertible Preferred Stock Series A - 15%, \$0.0001 par value, 1,000,000 shares authorized, 17,000 and 19,500 shares issued, respectively	-	-
Convertible Preferred Stock Series B - 12%, \$0.0001 par value, 1,000,000 shares authorized, 229,250 and 234,250 shares issued, respectively	-	-
Common stock - \$0.0001 par value, 100,000,000 shares authorized; 30,709,948 and 29,853,327 shares issued and outstanding, respectively	3,071	3,071
Additional paid-in capital	7,874,679	7,874,678
Stock payable	114,000	114,000
Accumulated deficit	(13,739,965)	(13,520,315)
TOTAL STOCKHOLDERS' DEFICIT	(5,748,215)	(5,528,566)
TOTAL LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT	\$ 194,915	\$ 201,863

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

EXEO ENTERTAINMENT, INC.
CONDENSED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended Feb 28	
	2022	2021
REVENUES	\$ 7,446	\$ 3,445
COST OF GOOD SOLD		
Cost of direct materials, shipping and labor	(5,626)	(3,302)
GROSS PROFIT	1,820	143
OPERATING EXPENSES		
General and administrative	146,122	253,953
Executive compensation	39,333	47,374
Professional fees	16,300	15,558
Depreciation and amortization	5,338	3,974
TOTAL OPERATING EXPENSES	207,093	320,859
LOSS FROM OPERATIONS	(205,273)	(320,716)
OTHER EXPENSE		
Gain (Loss) from foreign currency transactions	3,120	(53,205)
Interest expense - related party	(1,147)	(1,146)
Interest expense and financing expense	(38,472)	(76)
Non-cash financing expense	(87,418)	-
Change in fair Value on derivative	146,592	-
TOTAL OTHER EXPENSES	22,675	(54,427)
NET LOSS	(182,598)	(375,143)
DIVIDEND OF REDEEMABLE PREFERRED STOCK	(37,051)	(37,051)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (219,649)	\$ (412,194)
NET LOSS PER SHARE: BASIC AND DILUTED	\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: BASIC AND DILUTED	30,709,948	30,220,428

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

EXEO ENTERTAINMENT, INC.
CONDENSED STATEMENT OF STOCKHOLDERS' DEFICIT
(unaudited)

	Series A Preferred Stock		Series B Preferred Stock		Common Shares		Additional	Stock	Accumulated	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-In Capital	Payable	Deficit	Stockholders' Deficit
Balance, November 30, 2021	17,000	\$ 180,854	229,250	\$ 2,001,940	30,709,948	\$ 3,071	\$ 7,874,679	\$ 114,000	\$ (13,520,316)	\$ (5,528,566)
Dividend of redeemable preferred stock	-	3,144	-	33,908	-	-	-	-	(37,051)	(37,051)
Net loss for the three months ended February 29, 2022	-	0	-	0	-	-	-	-	(182,598)	(182,598)
Balance, February 29, 2022	17,000	183,998	229,250	2,035,848	30,709,948	3,071	7,874,679	114,000	(13,739,965)	(5,748,215)

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

EXEO ENTERTAINMENT, INC.
CONDENSED STATEMENT OF STOCKHOLDERS' DEFICIT
(unaudited)

	Series A Preferred Stock		Series B Preferred Stock		Common Shares		Additional Paid-In Capital	Stock Payable	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, November 30, 2020	19,500	\$ 192,851	22,950	\$ 1,864,427	29,853,327	\$ 2,985	\$ 7,380,018	\$ 486,250	\$ (11,930,308)	\$ (4,061,055)
Cash received for sale of common stock, net of issuance costs	-	-	-	-	669,121	67	338,683	(251,000)	-	87,750
Stock issued for conversion of preferred stock	(2,500)	(12,500)	-	-	12,500	1	12,499	-	-	12,500
Stock issued for services	-	-	-	-	175,000	18	131,232	(131,250)	-	-
Dividend of redeemable preferred stock	-	3,144	-	33,907	-	-	-	-	(37,051)	(37,051)
Net loss for the three months ended February 28, 2021	0	0	0	0	-	-	-	-	(375,143)	(375,143)
Balance, February 28, 2021	17,000	183,495	22,950	1,898,334	30,709,948	3,071	7,862,432	104,000	(12,342,502)	(4,372,999)

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

EXEO ENTERTAINMENT, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)

	For the three months ended February 28,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (182,598)	\$ (375,143)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	5,338	3,974
Non cash financing expense	87,418	-
Non cash lease expense	-	175
Change in fair value of derivative liability	(146,592)	-
Discount on convertible notes payable	31,997	-
Shares issued for services	-	-
Modification of warrants	-	-
Changes in assets and liabilities		
Decrease (Increase) in accounts receivable		323
Decrease (Increase) in prepaid expenses	5,833	(20,162)
Decrease (Increase) in inventory	4,015	2,703
(Decrease) Increase in accounts payable and accrued expenses	29,625	80,288
Increase in accrued interest - related party	1,147	1,146
Increase in accrued payroll - officers	3,666	7,248
Increase in royalty payable	75,539	131,703
Net Cash Used in Operating Activities	<u>(84,612)</u>	<u>(167,745)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Website development	0	(8,175)
Cash Flows Used in Investing Activities	<u>-</u>	<u>(8,175)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock, net of issuance costs	-	87,750
Proceeds from exercise of warrants	-	-
Proceeds from convertible notes payable	120,000	-
Proceeds from loan payable	-	-
Payments on notes payable - auto loan	-	-
Cash Flows Provided by Financing Activities	<u>120,000</u>	<u>87,750</u>
Net change in cash and cash equivalents	35,388	(88,170)
Cash and cash equivalents, beginning of the period	<u>4,607</u>	<u>170,852</u>
Cash and cash equivalents, end of the period	<u>\$ 39,995</u>	<u>\$ 82,682</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
<i>Cash paid during the period for:</i>		
Cash paid for interest	\$ -	\$ -
Cash Paid for income taxes	\$ -	\$ -
<i>Non-cash financing activities:</i>		
Conversion of preferred stock	\$ -	\$ 12,500
Dividend of redeemable preferred stock	\$ 37,051	\$ 37,051

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

EXEO ENTERTAINMENT, INC.

**Notes to Condensed Financial Statements
February 28, 2022
(Unaudited)**

Note A: BASIS OF PRESENTATION

The foregoing unaudited interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Regulation S-X as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles in the United States of America for complete financial statements. These unaudited interim financial statements should be read in conjunction with the audited financial statements and the notes thereto included on Form 10-K for the year ended November 30, 2021. In the opinion of management, the unaudited interim financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim period presented.

Operating results for the three-month ended February 28, 2022 are not necessarily indicative of the results that may be expected for the year ending November 30, 2022.

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumption are inherent in the preparation of the Company's financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions that could have a material effect on the reported amounts of the Company's financial position and results of operations.

As of February 28, 2022, the Company has cumulative losses totaling \$13,739,965 and negative working capital of \$3,555,848. The Company incurred a net loss of \$182,598 for the three months ended February 28, 2022. Due to the coronavirus pandemic, the Company has adversely affected our business, which the demand for our products has decreased. Because of these conditions, the Company will require additional working capital to develop business operations. The Company intends to raise additional working capital through the continued licensing of its technology as well as to generate revenues for other services. There are no assurances that the Company will be able to achieve the level of revenues adequate to generate sufficient cash flow from operations to support the Company's working capital requirements. To the extent that funds generated are insufficient, the Company will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to the Company. If adequate working capital is not available, the Company may not continue its operations.

Reclassification of Treasury Stock

The accompanying condensed consolidated balance sheet as of November 30, 2020 has been corrected to reclassify \$12,500 from Stockholders' deficit to a reduction in the amount of Series B redeemable convertible preferred stock after the Company reevaluated the net redemption value of Series B redeemable convertible preferred stock.

EXEO ENTERTAINMENT, INC.
Notes to Condensed Financial Statements
February 28, 2022
(Unaudited)

Note B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of condensed financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. A significant estimate includes the carrying value of the Company's patents, fair value of the Company's common stock, assumptions used in calculating the value of stock options, depreciation and amortization.

Fair Value of Financial Instruments

Effective January 1, 2008, the Company adopted FASB ASC 820, Fair Value Measurements and Disclosures, Pre Codification SFAS No. 157, "Fair Value Measurements", which provides a framework for measuring fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard also expands disclosures about instruments measured at fair value and establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices for identical assets and liabilities in active markets;

Level 2 — Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company designates cash equivalents (consisting of money market funds) and investments in securities of publicly traded companies as Level 1. The total amount of the Company's investment classified as Level 3 is from the derivative liabilities.

Fair value of financial instruments: The carrying amounts of financial instruments, including cash and cash equivalents, short-term investments, accounts payable, accrued expenses and notes payables approximated fair value as of February 28, 2022 and November 30, 2021 because of the relative short term nature of these instruments.

Financial assets and liabilities measured at fair value on a recurring basis are summarized below as of February 28, 2022:

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative liabilities	\$ -	\$ -	\$ 477,238	\$ 477,238

As of February 28, 2022, the Company's stock price was \$0.23, risk-free discount of 1.44% and a volatility of 189.70%.

Foreign Currency Transactions

Transaction gains and losses, such as those resulting from the settlement of nonfunctional currency receivables or payables, including intercompany balances, are included in foreign currency gain (loss) in our consolidated statements of earnings. Additionally, payable and receivable balances denominated in nonfunctional currencies are marked-to-market at month-end, and the gain or loss is recognized in our statements of operations.

Cash and Cash Equivalents

The Company considers cash on hand, cash in banks, certificates of deposit, time deposits, and U.S. government and other short-term securities with maturities of three months or less when purchased as cash and cash equivalents. The Company does not have cash equivalents.

EXEO ENTERTAINMENT, INC.
Notes to Condensed Financial Statements
February 28, 2022
(Unaudited)

Note B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory is carried at the lower of cost and estimated net realizable value, with cost being determined using the first-in first out (FIFO) method. The Company establishes reserves for estimated excess, obsolete and slow-moving inventory equal to the difference between the cost of inventory and estimated net realizable value of the inventory based on estimated reserve percentage, which considers historical usage known trends, inventory age and market conditions. When the Company disposes the excess, obsolete and slowing moving inventories, the related disposals are charged against the inventory reserve. See Note C for additional information.

Accounts Receivable

Accounts receivable are stated at the amount the Company expects to collect from outstanding balances and do not bear interest. The Company provides for probable uncollectible amounts through an allowance for doubtful accounts, if an allowance is deemed necessary. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable; however, changes in circumstances relating to accounts receivable may result in a requirement for additional allowances in the future. On a periodic basis, management evaluates its accounts receivable and determines the requirement for an allowance for doubtful accounts based on its assessment of the current and collectible status of individual accounts with past due balances over 90 days. Account balances are charged against the allowance after all collection efforts have been exhausted and the potential for recovery is considered remote.

Allowance for Uncollectible Accounts

The Company estimates losses on receivables based on known troubled accounts, if any, and historical experience of losses incurred. There was no allowance for doubtful customer receivables at February 28, 2022 and November 30, 2021, respectively.

Property and Equipment

Property and equipment are stated at the lower of cost or fair value. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, as follows:

Description	Estimated Life
Furniture & Equipment	5 years
Vehicles	5 years
Computer Equipment	3 years

The estimated useful lives are based on the nature of the assets as well as current operating strategy and legal considerations such as contractual life. Future events, such as property expansions, property developments, new competition, or new regulations, could result in a change in the manner in which the Company uses certain assets requiring a change in the estimated useful lives of such assets.

Maintenance and repairs that neither materially add to the value of the asset nor appreciably prolong its life are charged to expense as incurred. Gains or losses on disposition of property and equipment are included in the statements of operations. There were no dispositions during the periods presented.

KrankzAudio Website

The Company decided to redesign a new Shopify website (krankzaudio.com) in October 2020. The redesign is to increase online sales with a hyper-focused conversion strategy. The website consists of a search engine that users may access in order to compare the prices of different consumer products, which is known as a price comparison website. The new website was launched on January 18, 2021, and the estimated useful life is 3 years.

EXEO ENTERTAINMENT, INC.
Notes to Condensed Financial Statements
February 28, 2022
(Unaudited)

Note B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Company evaluates its property and equipment and other long-lived assets for impairment in accordance with related accounting standards. No impairments were recorded at February 28, 2022. For assets to be held and used (including projects under development), fixed assets are reviewed for impairment whenever indicators of impairment exist. If an indicator of impairment exists, the Company first groups its assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (the “asset group”). Secondly, the Company estimates the undiscounted future cash flows that are directly associated with and expected to arise from the completion, use and eventual disposition of such asset group. The Company estimates the undiscounted cash flows over the remaining useful life of the primary asset within the asset group. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then impairment is measured based on fair value compared to carrying value, with fair value typically based on a discounted cash flow model.

Revenue Recognition

The Company recognizes revenue in accordance with generally accepted accounting principles as outlined in the Financial Accounting Standard Board’s (“FASB”) Accounting Standards Codification (“ASC”) 606, Revenue From Contracts with Customers, which consists of five steps to evaluating contracts with customers for revenue recognition: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price; and (v) recognize revenue when or as the entity satisfied a performance obligation.

Revenue recognition occurs at the time we satisfy a performance obligation to our customers, when control transfers to customers, provided there are no material remaining performance obligations required of the Company or any matters of customer acceptance. We only record revenue when collectability is probable.

For the three months ended February 28, 2022 and 2021, the Company recognized \$7,446 and \$3,445 in revenue, respectively.

Income Taxes

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

Basic Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing the Company’s net loss applicable to common shareholders by the weighted average number of common shares during the period. Diluted earnings per share is calculated by dividing the Company’s net income available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity.

Stock-Based Compensation

The Company follows ASC 718-10, “Stock Compensation”, which addresses the accounting for transactions in which an entity exchanges its equity instruments for goods or services, with a primary focus on transactions in which an entity obtains employee services in share-based payment transactions. ASC 718-10 is a revision to SFAS No. 123, “Accounting for Stock-Based Compensation,” and supersedes Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees,” and its related implementation guidance. ASC 718-10 requires measurement of the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). Incremental compensation costs arising from subsequent modifications of awards after the grant date must be recognized.

EXEO ENTERTAINMENT, INC.
Notes to Condensed Financial Statements
February 28, 2022
(Unaudited)

Note B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Risk

The Company's bank accounts are deposited in insured institutions. The maximum insured by the FDIC per bank account is not an issue here since the Company's bank accounts do not bear any interest and the FDIC limits far exceed balances on deposit. The Company's funds were held in a single account. At February 28, 2022, the Company's bank balance did not exceed the insured amounts.

Accounting for Research and Development Costs

The Company records an expense in the current period for all research and development costs, which include Hardware Development Costs. The Company does not capitalize such amounts. Pursuant to ASC Topic 730 Research and Development, once we determine that our Extreme Gamer video game console is technologically feasible and a working model is put into use, the Company will capitalize Software Development costs associated with its products. Once this occurs we will determine a useful life of our software and apply a reasonable economic life of five years or less. At this time, our software development costs only relate to the Extreme Gamer and Zaaz keyboard hardware. The software development costs cannot be separated from the associated hardware development. We do not develop stand-alone software for sale to the retail consumers, rather we develop software in order to operate the designed hardware. The software is designed to be encoded within chips inside the hardware. Thus, it has been determined that the current software development costs, which are intertwined within the hardware development, are to be expensed rather than capitalized pursuant to ASC Topic 730.

This conclusion is also based upon our decision to devote further research and development costs in the support of our product interface to the video game players: Sony PS4® (and other products such as Nintendo Switch® and Microsoft Xbox One®).

Liquidity and Going Concern

The Company's ability to continue as a going concern is dependent on the Company's ability to generate revenues and raise capital. The Company has not generated sufficient revenues from product sales to provide sufficient cash flows to enable the Company to finance its operations internally. At February 28, 2022, the Company has an accumulated deficit of \$13,739,965. For the three months ended February 28, 2022, the Company had a net loss of \$182,598, and a working capital deficiency of \$3,555,848. These factors raise substantial doubt about the Company's ability to continue as a going concern within one year from the date of filing.

Over the next twelve months management plans raise additional capital and to invest its working capital resources in sales and marketing in order to increase the distribution and demand for its products. If the Company fails to generate sufficient revenue and obtain additional capital to continue at its expected level of operations, the Company may be forced to scale back or discontinue its sales and marketing efforts. However, there is no guarantee the Company will generate sufficient revenues or raise capital to continue operations. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

In December 2019, an outbreak of a novel strain of coronavirus originated in Wuhan, China ("COVID-19") and has since spread worldwide, including to the United States, posing public health risks that have reached pandemic proportions (the "COVID-19 Pandemic"). The COVID-19 Pandemic poses a threat to the health and economic wellbeing of our employees, customers and vendors. Like most businesses world-wide, the COVID-19 Pandemic has impacted the Company financially; however, management cannot presently predict the scope and severity with which COVID-19 will impact our business, financial condition, results of operations and cash flow.

Recent Accounting Pronouncements

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position or cash flow except as noted below.

EXEO ENTERTAINMENT, INC.
Notes to Condensed Financial Statements
February 28, 2022
(Unaudited)

Note B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*, which removes, modifies, and adds certain disclosure requirements related to fair value measurements in ASC Topic 820. This guidance is effective for public companies in fiscal years beginning after December 15, 2019, with early adoption permitted. Effective January 1, 2020, we adopted ASU 2018-13. The implementation of this standard did not have any material impact on our consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which address issues identified as a result of the complexity associated with applying generally accepted accounting principles for certain financial instruments with characteristics of liabilities and equity. This amendment is effective for public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years.

Note C: INVENTORIES

The value of inventory was \$42,678 and \$46,693 as of February 28, 2022 and November 30, 2021, respectively, and consists of 100% of finished goods.

Inventory reserves are established when conditions indicate that the net realizable value is less than costs due to physical deterioration, obsolescence, changes in price levels, or other causes based on individual facts and circumstances. The Company has established an allowance for slow moving inventory. As of February 28, 2022 and November 30, 2021, the inventory reserve was \$217,297 and \$217,297, respectively.

	February 28, 2022	November 30, 2021
Headphones	\$ 57,014	\$ 60,310
Licensed Ford Accessories	202,962	203,363
Total Inventory	259,976	263,990
Less: inventory reserve	(217,297)	(217,297)
Inventory, net	\$ 42,678	\$ 46,693

Note D: WEBSITE DEVELOPMENT COSTS

The Company decided to redesign a new Shopify website (krankzaudio.com) in October 2020. The redesign is to increase online sales with a hyper-focused conversion strategy. The website consists of a search engine that users may access in order to compare the prices of different consumer products, which is known as a price comparison website. The new website was launched on January 18, 2021. The Company recorded at cost, and the estimated useful life is 3 years.

For the three months ended February 28, 2022, the Company recorded \$2,725 in the amortization expense.

EXEO ENTERTAINMENT, INC.
Notes to Condensed Financial Statements
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(Unaudited)

Note E: COMMON STOCK

The Company has 100,000,000 shares at \$0.0001 par value common stock authorized and 30,709,948 and 29,853,327 shares issued and outstanding at February 28, 2022 and November 30, 2021, respectively.

On June 25, 2020, the Company issued 20,000 shares of common stock for warrants exercise, which was considered owed as a common stock payable.

On July 1, 2020, the Company sold 17,301 shares of common stock to an investor in exchange of \$12,500. On January 22, 2021, the 25,000 shares had been issued.

On July 10, 2020, the Company received \$60,000 for warrants exercises of 150,000 common shares. The stock was considered owed as a common stock payable as of February 28, 2022. As the date of filing, the shares have not been issued.

On August 19, 2020 the Company sold 17,301 shares of common stock to an investor in exchange of \$12,500. On January 22, 2021, the shares have been issued.

On September 28, 2020, the Company sold 50,000 common shares in exchange of \$25,000. The Stock was considered owed as a common stock payable as of November 30, 2020. On January 22, 2021, the shares have been issued.

On September 29, 2020, the Company sold 200,000 common shares in exchange of \$100,000. The Stock was considered owed as a common stock payable as of November 30, 2020. On January 22, 2021, the shares have been issued.

On September 30, 2020, the Company sold 20,000 common shares in exchange of \$10,000. The Stock was considered owed as a common stock payable as of November 30, 2020. On January 22, 2021, the shares have been issued.

On September 30, 2020, the Company sold 17,301 common shares in exchange of \$12,500. On January 22, 2021, the shares have been issued.

On October 5, 2020, the Company sold 18,383 common shares in exchange of \$12,500. The Stock was considered owed as a common stock payable as of November 30, 2020. On January 22, 2021, the shares have been issued.

On October 8, 2020, the Company sold 150,000 common shares in exchange of \$75,000. The Stock was considered owed as a common stock payable as of November 30, 2020. On January 22, 2021, the shares have been issued.

On November 18, 2020, the Company sold 25,000 common shares to an investor in exchange of \$12,500. The Stock was considered owed as a common stock payable as of November 30, 2020. On January 22, 2021, the shares have been issued.

On December 14, 2020, the Company issued 12,500 shares of common stock for the conversion of 2,500 shares of Series A Preferred Stock.

On January 5, 2021, the Company sold 12,500 common shares in exchange of cash \$6,250. On January 22, 2021, the shares have been issued.

EXEO ENTERTAINMENT, INC.
Notes to Condensed Financial Statements
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(Unaudited)

Note E: COMMON STOCK (CONTINUED)

On January 12, 2021, the Company sold 113,636 common shares to an investor in exchange of cash \$50,000. On January 22, 2021, the shares have been issued.

On January 28, 2021, the Company sold 20,000 common shares in exchange of cash \$5,000. The stock was considered owed as a common stock payable as of February 28, 2022. As of the date of filing, the shares have not been issued.

On February 15, 2021, the Company sold 31,289 common shares to an investor in exchange of cash \$12,500. The stock was considered owed as a common stock payable as of February 28, 2022. As of the date of filing, the shares have not been issued.

On February 19, 2021, the Company sold 56,000 common shares to an investor in exchange of cash \$14,000. The stock was considered owed as a common stock payable as of February 28, 2022. As of the date of filing, the shares have not been issued.

On April 2, 2021, the Company sold 40,000 common shares to an investor in exchange of cash \$10,000. The stock was considered owed as a common stock payable as of February 28, 2022. As of the date of filing, the shares have not been issued.

The price per share is equal to eighty-five percent of the average daily "Ask Price" as quoted on the OTC Electronic Bulletin Board Quotation System for the ten trading days immediately preceding the Closing. In addition, for each share of common stock purchased, each investor shall receive two warrants. Warrant A shall provide the investor the right to purchase one additional share of the Company's common stock equal to one hundred percent of the average daily "Ask Price" as quoted on the OTC Electronic Bulletin Board Quotation System for the ten trading days immediately preceding the Closing. Warrant B shall provide the investor the right to purchase one additional share of the Company's common stock equal to one hundred twenty-five percent of the average daily "Ask Price" as quoted on the OTC Electronic Bulletin Board Quotation System for the ten trading days immediately preceding the Closing. Warrant C shall provide the investor the right to purchase two additional shares of the Company common stock at a price equal to \$0.50 per share.

Note F: STOCK OPTION AND WARRANTS

During the three months ended August 31, 2020, the Company modified its warrants and recorded an expense of \$44,399. The Company received a total of \$155,000 for the exercise of warrants. As of February 28, 2022, no warrants were exercised in 2022 and 2021.

Note G: PREFERRED STOCK

Issuances of Series A Convertible Preferred Stock

Since March 3, 2014, the Company has not offered or sold any Series A Convertible Preferred Stock. During the three-month period ended February 28, 2022, there were no issuance during period ended February 28, 2022.

Issuances of Series B Convertible Preferred Stock

During the three months ended February 28, 2022, there were no issuances during the period ended February 28, 2022.

The estimated fair value of the Series A and Series B redeemable convertible preferred stock at February 28, 2022 was \$183,998 and \$2,035,848, respectively.

The dividends for the three months ended February 28, 2022 and 2021 were \$37,051 and \$37,051, respectively. No dividends have been paid.

Note H: COMMITMENTS AND CONTINGENCIES

Royalty Payable Obligation

At January 1, 2015, the Company is obligated to pay minimum monthly royalties of approximately \$80,000 (CDN \$100,000) per quarter for the remaining term of the Psyko Audio Labs contract. The company carries the risk of currency exchange rate fluctuations as our royalty obligation under the license agreement is stated in Canadian dollars. Royalty payable was \$2,196,522 as of February 28, 2022. For the three months ended February 28, 2022 and 2021, royalty expense and the related gain/(loss) on foreign currency transactions were 3,120 and (53,205), respectively.

EXEO ENTERTAINMENT, INC.
Notes to Condensed Financial Statements
February 28, 2022
(Unaudited)

Note I: LEASES

In the first quarter of fiscal 2019, the Company adopted Accounting Standards Update (“ASU”) 2016-02, “*Leases (Topic 842)*,” and related amendments.

The Company leases certain property consisting principally of its corporate headquarters, its retail stores, the majority of its distribution and fulfillment centers, and certain equipment under operating leases. Many of the Company’s leases include options to renew at the Company’s discretion. The renewal options are not included in the measurement of right-of-use (“ROU”) assets and lease liabilities as the Company is not reasonably certain to exercise available options. Rent escalations occurring during the term of the leases are included in the calculation of the future minimum lease payments and the rent expense related to these leases is recognized on a straight-line basis over the lease term.

The Company determines whether an agreement contains a lease at inception based on the Company’s right to obtain substantially all of the economic benefits from the use of the identified asset and its right to direct the use of the identified asset. Lease liabilities represent the present value of future lease payments and the ROU assets represent the Company’s right to use the underlying assets for the respective lease terms. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. The ROU asset is further adjusted to account for previously recorded lease-related expenses such as deferred rent and other lease liabilities. As the Company’s leases do not provide an implicit rate, the Company uses its incremental borrowing rate as the discount rate to calculate the present value of lease payments. The incremental borrowing rate represents an estimate of the interest rate that would be required to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

The Company elected not to recognize a ROU asset and a lease liability for leases with an initial term of twelve months or less and not to separate lease and non-lease components. In addition to minimum lease payments, certain leases require payment of a proportionate share of real estate taxes and certain building operating expenses or payments based on a percentage of sales in excess of a specified base. These variable lease costs are not included in the measurement of the ROU asset or lease liability due to unpredictability of the payment amount and are recorded as a lease expense in the period incurred. The Company’s lease agreements do not contain residual value guarantees or significant restrictions or covenants other than those customary in such arrangements. As of February 28, 2022, the Company did not have material leases that had been signed but not yet commenced.

The Company entered into the office lease extension agreement with the landlord in September 2020 for two years and is set to expire on September 30, 2022. The monthly minimum rental payment is \$9,162 from October 1, 2020 to September 30, 2021 and \$9,391 from October 1, 2021 to September 30, 2022.

EXEO ENTERTAINMENT, INC.
Notes to Condensed Financial Statements
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(Unaudited)

Note I: LEASES (CONTINUED)

The components of lease cost are as follows:

		For the three months ended February 28, 2022
Operating lease cost	\$	28,174
Total lease cost	\$	28,174

The following table discloses the weighted average remaining lease term and weighted average discount rate for the Company's leases as of February 28, 2022:

		For the three months ended February 28, 2022
Remaining lease term – operating leases (years)		0.58
Incremental borrowing rate		5.57%

As of February 28, 2022, the Company had the following future minimum operating lease payments:

Fiscal Year		
2022		65,739
Total lease payments		65,739
Adjusted for interest		904
Total lease obligation	\$	66,643

Note J: LOAN PAYABLE

On May 26, 2020, the Company executed the Paycheck Protection Loan ("Loan") with Wells Fargo Bank for \$29,740. The loan is due on May 26, 2022. The Company agreed the loan bears interest at 1% per annum. The Company needs to pay \$1,252.09 monthly payment starting at November 26, 2020. The accrued interest is \$542 as of February 28, 2022. The Company believes current economic uncertainty relating to the Coronavirus crisis makes the loan necessary to support our ongoing operations. The Company anticipates that the entire balance of the loan will be forgiven based on our disbursements of payroll and rent. In January, the Company submitted a application for loan forgiveness.

Note K: CONVERTIBLE PROMISSORY NOTE

On April 27, 2021, the Company issued \$15,000 of convertible promissory notes to an individual and/or entity.

On May 3, 2021, the Company issued \$12,500 of convertible promissory notes to an individual and/or entity.

EXEO ENTERTAINMENT, INC.
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Note K: CONVERTIBLE PROMISSORY NOTE (CONTINUED)

On May 5, 2021, the Company issued \$10,000 of convertible promissory notes to an individual and/or entity.

On May 17, 2021, the Company issued \$5,000 of convertible promissory notes to an individual and/or entity.

On June 9, 2021, the Company issued \$10,000 of convertible promissory notes to an individual and/or entity.

On June 28, 2021, the Company issued \$5,000 of convertible promissory notes to an individual and/or entity.

On June 30, 2021, the Company issued \$20,000 of convertible promissory notes to an individual and/or entity.

On July 6, 2021, the Company issued \$50,000 of convertible promissory notes to an individual and/or entity.

On July 16, 2021, the Company issued \$12,500 of convertible promissory notes to an individual and/or entity.

On July 16, 2021, the Company issued \$50,000 of convertible promissory notes to an individual and/or entity.

On December 9, 2021, the Company issued \$50,000 of convertible promissory notes to an individual and/or entity.

On December 20, 2021, the Company issued \$12,500 of convertible promissory notes to an individual and/or entity.

On January 10, 2022, the Company issued \$12,500 of convertible promissory notes to an individual and/or entity.

On January 26, 2022, the Company issued \$20,000 of convertible promissory notes to an individual and/or entity.

On February 25, 2022, the Company issued \$20,000 of convertible promissory notes to an individual and/or entity.

On January 28, 2022, the Company issued \$5,000 of convertible promissory notes to an individual and/or entity.

The notes bears 10% interest per annum, are due and payable on the later of 24 months from the date of execution and funding. And may be converted at any time after funding into shares of Company common stock at a conversion price equal to the lesser of 50% of the per share price paid by the Investors or a 50% discount to the last ten day closing price as quoted and determined by OTC markets. Any unpaid accrued interest on this Note will be converted into Equity Securities on the same term as the principal of the Notes.

Under ASC 815-15 - "*Derivatives and Hedging*", the Company determined that the convertible feature of the note should be classified as a derivative liability with a corresponding amount recorded as a debt discount. The Company determined the initial fair value of the embedded conversion feature for the notes to be \$477,238. The Company recorded a corresponding debt discount of \$120,000, for the three month ended February 28, 2022, the Company recorded \$31,997 in the amortization expense, the ending balance of amortization carry value is \$73,716. As of February 28, 2022, the Company recorded a gain on derivatives of \$146,592, the fair value of derivative liability amounted to \$477,238.

Note L: DERIVATIVE LIABILITY

The company assessed the classification of its derivative financial instruments as of February 28, 2022, which consist of convertible promissory note and rights to share of the Company's common stock and determined that such derivatives meet the criteria for liability classification.

The following table presents the activity related to the conversion feature derivative liability:

Derivative liabilities as of December 1, 2021	\$	416,412
Debt discounts originated during the period		207,418
Change in fair value of derivative liabilities		(146,592)
Derivative liabilities as of February 28, 2022	\$	477,238

The Company uses the lattice model for valuing their derivative liabilities.

EXEO ENTERTAINMENT, INC.
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Note M: NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

The Company calculates basic and diluted net loss per share attributable to common stockholders in conformity with the two-class method required for companies with participating securities. The Company considers all series of convertible preferred stock issued and outstanding to be participating securities. Under the two-class method, the net loss attributable to common stockholders is not allocated to the convertible preferred stock as the holders of convertible preferred stock issued and outstanding do not have a contractual obligation to share in losses.

The diluted net loss per share attributable to common stockholders is computed by giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of this calculation, options to purchase common stock, common stock warrants and securities such as convertible preferred stock and convertible preferred stock warrants that were issued and outstanding, which are considered common stock equivalents but have been excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is antidilutive. Basic and diluted net loss per common share was the same for each period presented, as the inclusion of all potential common shares outstanding would have been antidilutive.

	Three months Ended	
	February 28, 2022	February 28, 2021
Numerator:		
Net loss	\$ (182,598)	\$ (375,143)
Denominator:		
Weighted-average basic shares outstanding	30,709,948	30,220,428
Effect of dilutive securities		
Weighted-average diluted shares	<u>30,709,948</u>	<u>30,220,428</u>
Net loss per common share – basic and diluted	\$ (0.01)	\$ (0.01)

The following weighted-average outstanding shares of common stock equivalents were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because the impact of including them would have been antidilutive:

	Three months Ended	
	February 28, 2022	February 28, 2021
Convertible preferred stock (as converted)	25,250	821,836
Common stock warrants (as exercised)	2,784,610	4,624,213
Total	2,809,860	5,446,049

Note N: SUBSEQUENT EVENTS

In accordance with ASC 855-10, Company management reviewed all material events through the date of this report and determined that there are no additional material subsequent events to report except for the disclosure below.

As of the date of this filing, the Company is obligated to issue 313,628 common shares to various investors, and these common shares are recorded as \$114,000 in stock payable. These common shares have not been issued.

During the month of March and April, 2022, the Company issued additional convertible promissory notes in total of \$95,000.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Exeo Entertainment, Inc. designs, develops, licenses, manufacturers, and markets consumer electronics in the video gaming, music and smart TV sector. Our current business objectives are:

- Complete product development and establish channels of distribution, and
- Expand SKUs within the headphone market for both music and gaming

Activities to date

We incorporated in the state of Nevada on May 12, 2011. For the three months ended February 28, 2022, we generated minimal revenues and continue to operate at a loss. Our activities have centered on the design and engineering of peripherals in the video gaming, music, and smart TV sector.

We accomplished the following:

- 1) We completed the molds for the Psyko™ PC model and are working on the molds for the Psyko™ console unit, and the Psyko®5.1 Surround Sound Gaming Headsets (with built-in microphone) with external amplifier for Personal Computers.
- 2) We have an “Exclusive Distributor” Agreement with Axcel Electronics Thailand Company Limited (Cableicons, Inc.) to distribute and sell the “Ford Officially Licensed Cell Phone Accessories” in all wholesale and retail channels in the USA and Canada.
- 3) We are also working with Vegas Golden Knight NHL team and have designed a custom Krankz headphone for them.

Products and Services

Products under development include the Psyko™ 5.1 surround sound gaming headphones for consoles and Krankz™ MAXX Bluetooth™ wireless headphones.

Strategy and Marketing Plan

Manufacturing is established, so we intend on utilizing existing consumer electronics distributors, such as Synnex Corp. (SNX) and Ingram Micro to distribute our products to big box retailers such as Best Buy, GameStop, and Fry’s Electronics. We do not have distribution agreements with these companies at this time.

Competition

Psyko™ Headphones

While our Psyko™ headphone offering differs from the competition in the method of 5.1-surround sound delivery, we will face competition from manufacturers with established channels of distribution, mature capital structures, and significantly larger marketing budgets. Well established gaming headphone manufacturers include Turtle Beach; a private company, Tritton – a subsidiary of Mad Catz Interactive (MCZ), and Astro Gaming which is a subsidiary of Skullcandy (SKUL).

While other headphone manufacturers replicate 5.1 surround sound through Digital Signal Processing (DSP), the Psyko™ headphones use a patented method of sound delivery that doesn’t require the use of DSP. Management believes that the difference in audio quality is a major differentiating factor between our product offering and what is currently available on the market.

Krankz™ Headphones

The driver design provides a deep bass sound with clear midrange audio for a full-range for use up to 30' distance. These headsets work with most mobile devices and have a retractable, foldable design with built-in microphone and noise cancelling feature. We expect to face competition from lifestyle headphone companies such as Beats by Dr. Dre and Skull candy. These entities are well established and have a loyal customer following. We expect to carve out a niche within the market by initially marketing to the X games demographic through endorsements and sponsorships in Extreme sports such as motocross, supercross, snowboarding, surfing, skating, and similar such sports.

We are also, working with Vegas Golden Knights NHL team and have designed a custom Krankz Headphone for them. This is part of the sponsorship agreement we entered into during 2018 and renewed in 2019.

Management however acknowledges that while it cannot find any commercially available products that our patents may never be awarded and that we could face competition from any number of existing video game accessory manufacturers.

Distributor Agreement

We have an “Exclusive Distributor” Agreement with Axcel Electronics Thailand Company Limited (Cableicons, Inc.) to distribute and sell the “Ford Officially Licensed Cell Phone Accessories” to all wholesale and retail channels in the USA and Canada. Here is the link for the online Ford Officially Licensed Cell Phone Accessories Catalog. <https://bit.ly/2Qo1eom>

Sources and Availability of Suppliers and Supplies

Currently we have access to an adequate supply of products, from various manufacturers. These companies and their products are new, not well established, and are a subject to significant risk and uncertainty.

Dependence on One or a few Major Customers

We do not anticipate dependence on one or a few major customers into the foreseeable future.

Patents, Trademarks, Licenses, Franchise Restrictions and Contractual Obligations and Concessions

We executed a license agreement with Psyko Audio Labs Canada to manufacture and distribute the Carbon and Krypton line of patented headphones. US Patent # 8,000,486 (for the Psyko Krypton™ surround sound gaming headphones.) With regard to intellectual property rights associated with Psyko® Headphones, we have a license to use this mark as well as the patented technology.

We entered into a license agreement with Digital Extreme Technologies, Inc., a Delaware corporation, (also referred to as DXT) for use of certain intellectual property associated with the products being designed and developed by us. The Black Widow keyboard is now known as the Zaaz keyboard. DXT worked to design and develop the Extreme Gamer as well as the Black Widow keyboard. We continue to work under a license agreement with DXT to advance the use of technologies designed by DXT. There is no licensing fee paid to DXT during the years ended November 30, 2014 and 2015.

DXT applied to the U.S. PTO for a patent of its Multi Video Game Changer. The agency assigned an application number of 12/543,296 to its application, which was published on February 25, 2010. The proposed 10 disk Video Game Changer is designed to interface directly with Sony PS3®, Nintendo Wii®, and Microsoft Xbox 360®. The Company anticipates incorporating Blu-Ray® compatible optics technology under a license agreement. This would allow users to insert Blu-Ray® discs into the Video Game Changer, and once connected to the video game console, to play movies on television. Sony PS3® is now capable of playing Blu-Ray® discs, but only with a capacity for a single disk. This technology would provide for the loading of up to 10 DVD's, CD's or Blu-Ray® discs into a single console that communicates with a video game console via USB. Furthermore, users would be able to plug in any external hard disc drive ("HDD") directly into the console via an internal ATPI port, allowing movies, music and pictures to be played directly from the HDD.

In regard to intellectual property rights associated with Krankz™ Bluetooth® wireless headphones, we do not have a federally registered trademark as to the word marks Krankz or Krankz Maxx. Therefore, we do not have the same presumptive rights which might otherwise apply had we obtained a federally registered trademark. We have an "Exclusive Distributor" Agreement with Axcel Electronics Thailand Company Limited (Cableicons, Inc.) which covers the USA and Canada to Distribute and sell the "Ford Officially Licensed Cell Phone Accessories" in all wholesale and retail channels. We believe we have intellectual property rights to this mark under common law. If we are unable to register this mark, we may use an alternative name for these headphones.

Sponsorship Agreement

On July 13, 2018, the Company entered into a sponsorship agreement for headphones with Black Knight Sports and Entertainment, LLC (dba Vegas Golden Knights)("BKSE") for a period through June 2021. During the first NHL season, the Company was obligated to pay \$230,000. For the second NHL season, the Company is obligated to pay \$239,200 and for the third NHL season, the Company is obligated to pay \$248,768. If the team goes into playoffs there could be additional fees due.

COVID-19

Since the outset of the pandemic the US and worldwide national securities markets have undergone unprecedented stress due to the uncertainties of the pandemic and the resulting reactions and outcomes of government, business and the general population. Closures and disruptions to business in the U.S. due to the COVID-19 pandemic have led to negative effects on our clients, in some situations, reducing demand for certain of our products. It is unclear how a prolonged outbreak with travel, commercial and other similar restrictions, may adversely affect our business operations and the business operations of our customers and suppliers. However, we anticipate a prolonged period will have a negative effect on our business operations.

Subsidiaries

We do not have any subsidiaries.

MANAGEMENT'S DISCUSSION AND ANALYSIS

COMPARISON OF THREE MONTHS RESULTS FOR THE QUARTERS ENDED February 28, 2022 and 2021, RESPECTIVELY

Revenues and Gross Profit

For the three months ended February 28, 2022 and 2020, the Company recognized \$7,446 and \$3,445 in revenue, respectively. Cost of sales for the quarter ended February 28, 2022 was \$5,626, leading to a gross profit of \$1,820 during the period. In the comparable quarter ended August 31, 2020, revenue was \$3,445 and cost of sales was \$3,302, resulting in a loss of \$143.

Operating Expenses

Operating expenses were \$207,093 and \$320,859 for the three months ended February 28, 2022 and 2021, respectively. The decrease was primarily due to general and administrative expenses related to office expense and promotion expense.

Other Income and Expenses

During the course of our business, we experienced a gain from foreign currency transactions of \$3,120 in the three months period ended February 28, 2022, compared to a loss of \$53,205 in the comparable period ended February 28, 2021. These losses and gains are associated with currency exchange rate fluctuations as our royalty obligation under the license agreement is stated in Canadian dollars.

Interest expense associated with obligations to related parties was \$1,147 and \$1,146 in the three months periods ended February 28, 2022 and 2021, respectively.

Interest expense and financing expense associated with non-related party obligations was \$38,472 and \$76 in the three months periods ended February 28, 2022 and 2020, respectively. The increased was primarily due to the Company issued the convertible promissory notes during the three months ended February 28, 2022.

Liquidity and Capital Resources

Other than what is described in this Report, the Company had no material commitments for capital expenditures at February 28, 2022.

On May 25, 2011, Exeo Entertainment, Inc. entered into an exclusive license agreement with Digital Extreme Technologies, Inc. whereby Exeo Entertainment, Inc. will manufacture and market the Extreme Gamer and Zaaz keyboard. Exeo Entertainment, Inc. will pay Digital Extreme Technologies, Inc. a 5% royalty fee on gross sales of both products.

Unless the Royalty Agreement is modified by Psyko Audio Labs Canada and the Company, at January 1, 2016, the Company is obligated to pay minimum monthly royalties of \$80,000 (CDN \$100,000) per quarter for the remaining term of the contract. No such modification has been made as of the date of this report. The company carries the risk of currency exchange rate fluctuations as our royalty obligation under the license agreement is stated in Canadian dollars. For the three months ended February 28, 2022 and 2020, the Company made no payments towards this obligation and no royalty invoices have been received from Psyko Audio Labs. Royalty payable was \$2,063,391 as of February 28, 2022.

The Company entered into the office lease extension agreement with the landlord in September 2020 for two years and is set to expire on September 30, 2022. The monthly minimum rental payment is \$9,162 from October 1, 2020 to September 30, 2021 and \$9,391 from October 1, 2021 to September 30, 2022.

Cash Flow Information

On February 28, 2022, the Company had working capital of approximately (\$3,555,848). On November 30, 2021, the Company had working capital of approximately \$(3,437,734). The increase in working capital of \$118,114 primarily relates to an increase in royalty payable in the amount of \$75,539 and accounts payable in the amount of \$29,626 during the three months ending February 28, 2022. The Company believes it has insufficient cash resources to meet its liquidity requirements for the next 12 months.

The Company had cash and cash equivalents of approximately \$39,995 and \$4,607 at February 28, 2022 and November 30, 2021, respectively. This represents a increase in cash of \$35,388.

Cash used in Operating Activities

The Company used approximately \$84,612 of cash for operating activities in the three months ended February 28, 2022 as compared to using \$167,745 of cash for operating activities in the three months ended February 28, 2021. This decrease in cash used in operating activities, is primarily attributed to decrease in net loss, and increase in accounts payable, royalty payable.

Cash used in Investing Activities

The Company used \$0 of cash for investing activities in the three months ended February 28, 2022 as compared to using \$8,175 of cash for investing activities in the three months ended February 28, 2021.

Cash Provided by Financing Activities

Financing activities in the three months ended February 28, 2022 provided \$120,000 of cash as compared to providing \$87,750 of cash in the three months ended February 28, 2021. The difference is attributable to the increase in cash receipts from issuance of convertible promissory notes.

The Company's principal sources and uses of funds are investments from accredited investors. The Company would need to raise additional capital in order to meet its business plan. Management intends to secure additional funds using borrowing or the further sale of Regulation D, Section 506 securities to accredited investors in the future.

The Company anticipates that its future liquidity requirements will arise from the need to fund its growth, pay its current obligations and future capital expenditures. The primary sources of funding for such requirements are expected to be cash generated from operations and raising additional funds from private sources and/or debt financing.

Going Concern Consideration

Management included an explanatory paragraph in their footnotes on the accompanying financial statements expressing concerns about our ability to continue as a going concern. Our financial statements contain additional note disclosures describing the circumstances that lead to this disclosure.

As of February 28, 2022, the Company has cumulative losses totaling \$13,739,965 and negative working capital of \$3,555,848. The Company incurred a net loss of \$182,598 for the three months ended February 28, 2022.

We have negative working capital and have not yet received significant revenues from sales of products. Due to the coronavirus pandemic, the Company has adversely affected our business, which the demand for our products has decreased. These factors raise substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustment that might be necessary if we are unable to continue as a going concern.

Since the outset of the pandemic the US and worldwide national securities markets have undergone unprecedented stress due to the uncertainties of the pandemic and the resulting reactions and outcomes of government, business and the general population. The demand for our products has decreased and the ability of our customers to make payment for the products they currently purchase has been negatively impacted. It is unclear how a prolonged outbreak with travel, commercial and other similar restrictions, may adversely affect our business operations and the business operations of our customers and suppliers. However, we anticipate a prolonged period will have a negative effect on our business operations.

Our ability to continue as a going concern is dependent on our generating cash from the sale of our common stock and/or obtaining debt financing and attaining future profitable operations. Management's plans include increasing revenue, selling our equity securities and/or obtaining debt financing to fund our capital requirement and ongoing operations; however, there can be no assurance we will be successful in these.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Forward-Looking Statements

Many statements made in this report are forward-looking statements that are not based on historical facts. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. The forward-looking statements made in this report relate only to events as of the date on which the statements are made.

Item 3. Quantitative and Qualitative Disclosure About Market Risks

As a "smaller reporting company", we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Report. Based on the management evaluation, we concluded that our disclosure controls and procedures may not be effective to provide reasonable assurance that information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In the 3rd Quarter, 2019, management is in the process of determining how to most effectively improve our disclosure controls and procedures.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control, as is defined in the Securities Exchange Act of 1934. These internal controls are designed to provide reasonable assurance that the reported financial information is presented fairly, that disclosures are adequate and that the judgments inherent in the preparation of financial statements are reasonable. There are inherent limitations in the effectiveness of any system of internal controls, including the possibility of human error and overriding of controls. Consequently, an effective internal control system can only provide reasonable, not absolute, assurance with respect to reporting financial information.

Our internal control over financial reporting includes policies and procedures that: (i) pertain to maintaining records that in reasonable detail accurately and fairly reflect our transactions; (ii) provide reasonable assurance that transactions are recorded as necessary for preparation of our financial statements in accordance with generally accepted accounting principles and the receipts and expenditures of company assets are made and in accordance with our management and directors authorization; and (iii) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Management has undertaken an assessment of the effectiveness of our internal control over financial reporting based on the framework and criteria established in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based upon this evaluation, management concluded that our internal controls over financial reporting are not effective as of February 28, 2022. Other than our two officers, we have no employees or contractors that have the authority to implement any changes in our internal control or financial reporting.

This quarterly report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to the temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this quarterly report.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The Company has no knowledge of existing or pending legal proceedings against the Company, nor is the Company involved as a plaintiff in any proceeding or pending litigation. There are no proceedings in which any of the Company's directors, officers or any of their respective affiliates, or any beneficial stockholder, is an adverse party or has a material interest adverse to our interest. The Company's address for service of process in Nevada is Business Filings, Incorporated located at 311 S. Division Street, Carson City, Nevada 89703.

Item 1A. Risk Factors

As a "smaller reporting company", we are not required to provide the information required by this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended February 28, 2022, the Company sold 273,425 shares of common stock for cash totaling \$97,750. The price per share is equal to eighty-five percent of the average daily "Ask Price" as quoted on the OTC Electronic Bulletin Board Quotation System for the ten trading days immediately preceding the Closing. In addition, for each share of common stock purchased, each investor shall receive two warrants. Warrant A shall provide the investor the right to purchase one additional share of the Company's common stock equal to one hundred percent of the average daily "Ask Price" as quoted on the OTC Electronic Bulletin Board Quotation System for the ten trading days immediately preceding the Closing. Warrant B shall provide the investor the right to purchase one additional share of the Company's common stock equal to one hundred twenty-five percent of the average daily "Ask Price" as quoted on the OTC Electronic Bulletin Board Quotation System for the ten trading days immediately preceding the Closing. The stock was subscribed for; however, the certificates representing the shares were not issued as of February 28, 2022 and, resultantly, are considered owed as a common stock payable of \$114,000. As the date of filing, these common shares have been issued.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Market for the Company's Common Stock

The Company's common stock is traded on the over-the-counter market and quoted on the Over-The-Counter Bulletin Board (OTCBB) under the trading symbol "EXEO". Our common stock is also quoted on OTCQB, a segment of OTC Link LLC and OTC Markets Group. As of the date of this report, there is a limited public market for our common stock. For purpose of this Item, the existence of limited or sporadic quotations should not of itself be deemed to constitute an "established public trading market," if any, for our common stock. We can provide no assurance that our shares will be actively traded on the OTC or, that the public market will achieve or continue with any particular daily volume or price for our listed securities.

Item 6. Exhibits

Exhibit Number	Name and/or Identification of Exhibit
<u>31.1</u>	<u>Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>31.2</u>	<u>Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>32.1</u>	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EXEO ENTERTAINMENT, INC.

(Registrant)

Signature

Title

Date

/s/ Jeffrey A. Weiland

President and Director

July 29, 2022

Jeffrey A. Weiland

/s/ Robert S. Amaral

Chief Executive Officer,
Treasurer and Director
(Principal Executive and Financial Officer)

July 29, 2022

Robert S. Amaral

**Certification of Principal Executive Officer
Section 302 Certification**

I, Robert S. Amaral, certify that:

1. I have reviewed this quarterly report on Form 10-Q for Exeo Entertainment, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and the internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2022

/s/ Robert S. Amaral
Robert S. Amaral, Chief Executive Officer
(Principal Executive Officer)

**Certification of Principal Financial Officer
Section 302 Certification**

I, Robert S. Amaral, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exeo Entertainment, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and the internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2022

/s/ Robert S. Amaral
Robert S. Amaral, Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Exeo Entertainment, Inc. (the “Company”) on Form 10-Q for the period ended February 28, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert S. Amaral, as Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Robert S. Amaral
Robert S. Amaral
Title: Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

Dated: July 29, 2022

This certification is being furnished to the SEC as an exhibit to the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the of the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed copy of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided by the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
