# CE Brands Inc.

**Condensed Consolidated Interim Financial Statements (Unaudited)**
For the three months ended June 30, 2024, and 2023

*(Expressed in Canadian Dollars)*

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of CE Brands Inc. (the "**Company**") have been prepared by and are the responsibility of management. These condensed interim financial statements for the three months ended June 30, 2024 have not been reviewed or audited by the Company's independent auditors.

# CE BRANDS INC.
## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
***Expressed in Canadian Dollars***

| | Notes | June 30, 2024 | March 31, 2024 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash | | **57,397** | 543,068 |
| Trade and other accounts receivable | | **182,989** | 554,843 |
| Inventory | | **12,537** | - |
| Prepaid expenses, deposits and deferred expenses | | **255,240** | 279,014 |
| **Total assets** | | **508,163** | 1,376,925 |
| | | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | 6 | **2,038,528** | 2,171,903 |
| Current portion of long-term debt | 7 | **5,139,409** | 5,397,310 |
| | | **7,177,937** | 7,569,213 |
| | | | |
| Long-term debt | 7 | **3,878,696** | 3,812,362 |
| **Total liabilities** | | **11,056,633** | 11,381,575 |
| | | | |
| **Shareholders’ equity (deficit)** | | | |
| Share capital | 8 | **40,990,794** | 40,990,794 |
| Reserves | 9 | **11,459,214** | 11,459,214 |
| Deficit | | **(62,998,478)** | (62,454,658) |
| **Total shareholders' deficit** | | **(10,548,470)** | (10,004,650) |
| **Total liabilities and shareholders’ equity (deficit)** | | **508,163** | 1,376,925 |

*See accompanying notes to the condensed consolidated interim financial statements including Going concern (Note 2), Debt (Note 7), Commitments (Note 12) and Subsequent Events (Note 13).*

*Approved on behalf of the Board of Directors:*

*s/ Jared Wolk*
*Director*

*s/ Tyler Rice*
*Director*

# CE BRANDS INC.
## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME (UNAUDITED)
*Expressed in Canadian Dollars*

| | Notes | For the three months ended<br>June 30 2024 | <br>June 30 2023<br>(adjusted - Note 2) |
|---|---|---|---|
| **Revenue** | 10 | **1,337,859** | 1,218,798 |
| Cost of products and services | | **823,606** | 680,373 |
| **Gross profit** | | **514,253** | 538,425 |
| | | | |
| **Expenses** | | | |
| Wages and contractors | | **425,477** | 672,605 |
| Royalties and license fees | | **67,012** | 386,276 |
| General and administrative | | **64,908** | 77,353 |
| Marketing | | **44,599** | 121,759 |
| Technology and related | | **34,985** | 83,026 |
| Loss on foreign exchange | | **29,233** | 195,581 |
| Legal, accounting and other professional fees | | **16,431** | 257,333 |
| Selling and distribution | | **14,167** | 25,133 |
| Stock-based compensation | 9 | **-** | 1,959 |
| **Operating loss** | | **(182,559)** | (1,282,600) |
| Finance costs | 7 | **(330,051)** | (570,785) |
| Other finance charges | | **(31,210)** | (100,461) |
| Gain on deconsolidation | 2 | **-** | 10,621,819 |
| **Net (loss) income** | | **(543,820)** | 8,667,973 |
| **Other comprehensive(loss) income** | | | |
| Gain on translation of foreign operations | | **-** | 294,539 |
| Reclassification of foreign currency gains on deconsolidation | 2 | **-** | (276,871) |
| **Comprehensive (loss) income** | | **(543,820)** | 8,685,641 |
| **Net (loss) income per share – basic and diluted** | | **(0.01)** | 3.43 |
| **Weighted average shares – basic and diluted** | | **44,726,479** | 2,528,995 |

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

# CE BRANDS INC.
## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
*Expressed in Canadian Dollars*

| | Notes | Number of shares # | Share capital $ | Equity component of debt $ | Warrants reserve $ | Contributed surplus $ | Reserves $ | Deficit $ | Accumulated other comprehensive loss $ | Total $ |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance at March 31, 2023 | | 2,528,995 | 32,588,396 | 1,429,773 | 8,058,153 | 2,002,109 | 11,490,035 | (66,626,562) | (17,668) | (22,565,799) |
| Stock-based compensation | | - | - | - | - | 1,959 | 1,959 | - | - | 1,959 |
| Net income | | - | - | - | - | - | - | 8,667,973 | - | 8,667,973 |
| Gain on translation of foreign operations | | - | - | - | - | - | - | - | 294,539 | 294,539 |
| Reclassification of foreign currency gains on deconsolidation | 2 | - | - | - | - | - | - | - | (276,871) | (276,871) |
| Balance at June 30, 2023 | | 2,528,995 | 32,588,396 | 1,429,773 | 8,058,153 | 2,004,068 | 11,491,994 | (57,958,589) | - | (13,878,199) |
| | | | | | | | | | | |
| Balance at March 31, 2024 | | 44,726,479 | 40,990,794 | 1,429,773 | 8,058,153 | 1,971,288 | 11,459,214 | (62,454,658) | - | (10,004,650) |
| Net loss | | - | - | - | - | - | - | (543,820) | - | (543,820) |
| **Balance at June 30, 2024** | | **44,726,479** | **40,990,794** | **1,429,773** | **8,058,153** | **1,971,288** | **11,459,214** | **(62,998,478)** | **-** | **(10,548,470)** |

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

# CE BRANDS INC.
## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
*Expressed in Canadian Dollars*

| | Notes | For the three months ended June 30, 2024 | June 30, 2023 |
|---|---|---|---|
| **Cash (used in) provided by:** | | | |
| **Cash flows used in operating activities** | | | |
| Net (loss) income | | **(543,820)** | 8,667,973 |
| Items not affecting cash: | | | |
| Finance cost | 7 | **330,051** | 146,525 |
| Stock based compensation | | **-** | 1,959 |
| Gain on lease agreement termination | | **-** | (12,296) |
| Unrealized loss on foreign exchange | | **31,207** | 52,102 |
| Gain on deconsolidation | 2 | - | (10,621,819) |
| Changes in non-cash working capital | 11 | **173,681** | 1,099,006 |
| **Net cash used in operating activities** | | **(8,881)** | (666,550) |
| **Cash flows used in investing activities** | | | |
| Cash lost on deconsolidation | | **-** | (164,275) |
| **Net cash used in investing activities** | | **-** | (164,275) |
| **Cash flows (used in) provided by financing activities** | | | |
| Proceeds from revolving credit facility | 7 | **481,985** | 551,287 |
| Repayment of revolving credit facility | 7 | **(956,801)** | (290,700) |
| Repayment of lease liability | | **-** | (7,947) |
| **Net cash (used in) provided by financing activities** | | **(474,816)** | 252,640 |
| **Effect of change in foreign exchange rates on cash** | | **(1,974)** | 2,178 |
| **Decrease in cash** | | **(485,671)** | (576,007) |
| **Cash, beginning of period** | | **543,068** | 576,007 |
| **Cash, end of period** | | **57,397** | - |

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

## 1. OVERVIEW AND NATURE OF OPERATIONS

CE Brands Inc. (the "**Company**" or "**CEBI**") is a public company traded on the TSX Venture Exchange exchange under the symbol CEBI. The Company's registered and head office is 2100 Livingston Place, 222 3rd Avenue SW, Calgary, AB T2P 0B4. Using sales data analytics, the Company selects growth products and partners in the consumer electronics space to develop and sell globally via multiple sales channels.

On June 27, 2023, the Company's wholly owned Canadian subsidiary, eBuyNow eCommerce Ltd. ("**EBN**") filed a voluntary assignment into bankruptcy under the Bankruptcy and Insolvency Act (the "**Act**"). Prior to June 27, 2023, all subsidiaries of the Company were wholly owned subsidiaries of EBN except for CE Brands International Inc. which is a wholly owned subsidiary of CEBI incorporated on April 21, 2023. A licensed insolvency trustee was appointed on June 27, 2023 under section 49 of the Act to administer the bankruptcy, removing CEBI's control of EBN. EBN was deconsolidated as of June 27, 2023 because CEBI did not have the power to direct the relevant activities of EBN as of this date (Note 2).

The Company's Condensed Consolidated Interim Statement of Financial Position at June 30, 2024 reflects the balances of CEBI and its wholly owned subsidiary, CE Brands International Inc. The comparative period figures reflect the balances of CEBI and of EBN and its wholly owned subsidiaries.

CEBI was incorporated in the Province of Alberta on October 15, 2018 under the Business Corporations Act (Alberta).

## 2. BASIS OF PRESENTATION, DECONSOLIDATION, GOING CONCERN, AND IMMATERIAL ERROR CORRECTION

### Basis of presentation

These financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. These financial statements are condensed as they do not include all the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited annual financial statements for the year ended March 31, 2024.

These financial statements have been prepared on a historical cost basis. All accounting policies, methods of computation, estimates and assumptions used in the preparation of these financial statements are consistent with those described in notes accompanying the Company's annual consolidated financial statements for the year ended March 31, 2024. The Company has reclassified certain comparative figures in the condensed consolidated interim financial statements to align with the current period's presentation. These financial statements have not been reviewed by the auditors of the Company. These consolidated financial statements were authorized for issue by the board of directors of the Company August 22, 2024.

### Deconsolidation

During the first quarter of fiscal 2024, the Company announced an internal reorganization, whereby its wholly owned subsidiary, EBN, made a voluntary assignment into bankruptcy under the Act. Harris & Partners Inc. (the "**Trustee**") was appointed as EBN's trustee in bankruptcy. Effective June 27, 2023, EBN made an assignment of all its property for the general benefit of its creditors. On June 27, 2023 CEBI lost decision-making power over the relevant activities of EBN and its subsidiaries to the Trustee. The Company derecognized the assets and liabilities of EBN and its subsidiaries as of that date, resulting in a gain. All previously recorded foreign currency translation gains and losses related to the subsidiaries were reversed and recorded to the *Condensed Consolidated Interim Statements of (Loss) Income and Comprehensive (Loss) Income.* The deconsolidation was accounted for prospectively as at the date of bankruptcy.

***Expressed in Canadian Dollars***

The following tables summarize the financial information related to EBN and its subsidiaries immediately prior to the deconsolidation.

| | **June 27, 2023** **$** |
|---|---|
| **ASSETS** | |
| Cash | 164,275 |
| Trade and other accounts receivable | 50,479 |
| Inventory | 152,657 |
| Prepaid expenses and deposits | 451,509 |
| **Total assets** | **818,920** |
| | |
| **LIABILITIES** | |
| Accounts payable and accrued liabilities | (9,554,436) |
| Due to related parties | (339,437) |
| Founders loan | (1,269,995) |
| **Total liabilities** | **(11,163,868)** |
| | |
| **Net liabilities deconsolidated** | **(10,344,948)** |
| Accumulated other comprehensive gain | (276,871) |
| **Total gain on deconsolidation** | **(10,621,819)** |

After the deconsolidation of EBN, the Company's investment in the shares of EBN were recorded at fair value through profit or loss in accordance with IFRS 9. The fair value of the investment in EBN at June 30, 2024 is nil.

**Immaterial reclassification in the comparatives**

Management reclassified certain expenditures in the condensed consolidated interim statements of (loss) income and comprehensive (loss) income of the comparative period which resulted in the "Gain on deconsolidation" increasing by $175,004 from $10,446,815 to $10,621,819. The corresponding impact was an increase in the operating expenses of $175,004 . The cumulative impact on the net income reported in the comparative period was nil.

**Shares consolidation transaction**

On January 24, 2024, the Company consolidated its outstanding common shares (reverse split of shares) on a ratio of 10-to-1 (the "Consolidation"). Resultantly for every 10 existing outstanding common shares as on the mentioned date, 1 new common share was issued. IAS 33 *Earnings Per Share* requires retrospective adjustment to the number of shares and EPS in such cases even if such a transaction occurred after the reporting period. Hence, the number of common shares, warrants, options and earnings per share presented in these interim financial statements have been restated retrospectively for all the periods to reflect this consolidation transaction.

**Going Concern**

The consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and meet its liabilities as they become due.

There is material uncertainty with respect to the Company's ability to continue as a going concern. The Company has not yet achieved profitable operations and had a deficit of $63.0 million as at June 30, 2024 (March 31, 2024 - $62.45 million) and incurred a net loss of $0.54 million for the three months ended June 30, 2024 (June 30, 2023 - $8.67 million net income) and used cash flow in operating activities for the three months ended June 30, 2024 of $0.01 million (June 30, 2023 - $0.66 million). At June 30, 2024, the Company had a working capital deficiency of $6.67 million (March 31, 2024 – $6.19 million) which includes the current portion of long-term debt of $5.14 million (Note 7). In addition, the Company has future minimum payments committed under non-cancellable agreements and towards debt balances of $7.12 million due in the next 12 months (Note 12).

On June 27, 2023, EBN filed a voluntary assignment into bankruptcy under the Act. There is uncertainty as to the duration and impact of the bankruptcy process and whether the process will impact the Company's ability to continue to operate in the foreseeable future. The impacts of the bankruptcy filing on the Company may include, amongst others:

- the potential for litigation to arise from creditors in connection with the bankruptcy process may result in contingent liabilities and additional legal costs.
- the potential that certain liabilities of EBN and its wholly owned subsidiaries may not be extinguished in connection with the bankruptcy process.

As of August 22 2024 the EBN bankruptcy process is ongoing and EBN has not been discharged from bankruptcy.

During fiscal 2024, the Company entered into an amendment agreement with Choco to (i) waive any pre-existing rights associated with a contractual breach in relation to the bankruptcy of EBN, and (ii) waive any pre-existing rights associated with a contractual breach in relation to any failure to pay interest or principal during such period.

On January 29, 2024, the Company entered into a Debenture notes amendment agreement to (i) extend the maturity date of the Debenture notes from April 30, 2024 to October 1, 2025 , (ii) waive any pre-existing rights associated with a contractual breach in relation to the bankruptcy of EBN, (iii) waive any pre-existing rights associated to a contractual breach in relation to any event prior to the date the definitive amending and waiver agreements, including any failure to pay interest or principal during such period, and (iv) amend the interest payment frequency to quarterly payments commencing on April 1, 2024.

During the three months ended June 30, 2024, the Company failed to make its contractual interest payments on the Debenture notes. Additionally, the Company did not meet its minimum repayment requirements under the Choco Facility (Note 7). The failure to make these payments is considered an event of default under these lending agreements providing the lenders the right to demand immediate repayment of all amounts outstanding as at June 30, 2024.

***Expressed in Canadian Dollars***

The Company's ability to continue operations and remain a going concern is impacted by achieving profitable operations, while securing additional funding through debt and equity financing, to fund its operating, investing, and financing activities in the foreseeable future. There can be no assurance that a financing will be completed or that it will be sufficient such that additional debt or equity financing is not required. Future financing activities may not be available on terms acceptable to the Company or at all. The inability of the Company to achieve profitable operations, successfully complete a bankruptcy process, or access debt or equity financing for its operations could have a material adverse effect on the Company's financial condition, or results of operations. These conditions create a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the consolidated financial statements. Such adjustments could be material.

## 3. FINANCIAL RISK MANAGEMENT

Overview

The Company's operations expose it to credit, liquidity, interest rate and foreign exchange rate risks which are all financial risks that arise as a result of its operating and financing activities. The Company employs risk management strategies and policies to ensure that any exposure to risk complies with the Company's business objectives and risk tolerance levels. While the directors have the overall responsibility for the establishment and oversight of the Company's risk management framework, management has the responsibility to administer and monitor these risks.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The maximum exposure to credit risk is as follows:

| | **June 30, 2024** | March 31, 2024 |
|---|---|---|
| | **$** | $ |
| Cash | **57,397** | 543,068 |
| Trade accounts receivable | **118,255** | 506,452 |
| Total | **175,652** | 1,049,520 |

The Company manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

*Expressed in Canadian Dollars*

There is credit risk with respect to trade accounts receivables as the Company has a small number of customers that are internationally dispersed. The Company has policies in place to monitor this credit risk and based on the history of collections with these customers, the Company does not consider this risk to be significant. As at June 30, 2024 two customers accounted for approximately 99% of the Company's trade accounts receivable (March 31, 2024 - two customers accounted for 99%).

Liquidity risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements: (a) the Company will not have sufficient funds to settle a transaction on the due date; (b) the Company will be forced to sell financial assets at a value which is less than the fair value; or, (c) the Company may be unable to settle or recover a financial asset at all. As discussed in the Basis of Presentation – Going concern note above, certain debt obligations of the Company have been classified as current on the statements of financial position. The Company will require additional funding to reduce its exposure to liquidity risk (Note 2).

The Company closely monitors its cash and manages liquidity risk by reducing spending, and raising funds as required via equity or debt financing. It can not be said with certainty whether the Company will be able to manage its liquidity requirements successfully in the near future.

The following table outlines the maturities of the Company's liabilities:

| | **Less than 1 year** | **1-3 years** | **Total** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Accounts payable and accrued liabilities | 1,637,675 | - | 1,637,675 |
| Interest payable on outstanding debt(1) | 400,853 | - | 400,853 |
| Long-term debt (2) | 5,139,409 | 5,187,500 | 10,326,909 |
| **As at June 30, 2024** | **7,177,937** | **5,187,500** | **12,365,437** |

(1) This amount is included in "Accounts payable and accrued liabilities" in the balance sheet
(2 )Balances represent the undiscounted contractual amounts payable.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates, will affect the fair value of financial instruments. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

***Interest rate risk:*** Interest rate risk is a market risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not hold any variable rate debt but may be exposed to interest rate risk on the long-term debt when such debt is renewed or renegotiated. A 1% change in the interest rate would have a $90,181 impact on the net income and accumulated deficit of the Company for the three months ended June 30, 2024 (June 30, 2023 - $29,974).

***Expressed in Canadian Dollars***

***Foreign exchange risk:*** The Company conducts certain transactions denominated in currencies other than Canadian dollars which is the presentation currency of the Company. Foreign currency transactions are exposed to currency risk due to fluctuations in foreign exchange rates. While the Company may employ the use of various financial instruments in the future to manage these price exposures, the Company is not currently using any such instruments. A 1% change in exchange rates would have a $18,988 impact on the net (loss) income in terms of gain or loss on foreign exchange and accumulated deficit of the Company for the three months ended June 30, 2024 (June 30, 2023 - $77,193).

## 4. CAPITAL MANAGEMENT

The Company's capital management policy is to maintain a capital base that optimizes the Company's ability to grow, maintain investor and creditor confidence, and provide a platform to create value for its shareholders. The Company intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Company's early stage of development and the requirement to sustain future development of the business. The Company will manage its capital structure and make changes to it in light of changes to economic conditions and the risk characteristics of the business. The Company considers its capital structure to include shareholders' deficit and working capital deficit. In order to maintain or adjust the current and projected capital structure, the Company may from time-to-time issue shares or adjust its capital spending.

## 5. RELATED PARTY TRANSACTIONS

On June 30, 2024, Accounts payable and accrued liabilities included $360,360 of amounts owed to directors and officers of the Company (March 31, 2024 - $313,651). The amounts due to related parties are unsecured, do not bear interest and have no stated terms of repayment.

In addition, the Debenture notes and Revolving Credit Facility (Note 7) constitute related party transactions as they involve the Company borrowing money from an entity, over which Vesta Wealth Partners Ltd., a "related party" of the Company, exercises certain discretionary control.

Key management personnel include directors and officers of the Company. In addition to their salaries, directors and officers participate in the Company's share option program.

| | **Three months ended** | |
|---|---|---|
| | **June 30, 2024** | June 30, 2023 |
| | **$** | $ |
| Wages and contractors | **199,275** | 203,550 |
| Stock-based compensation | **-** | 27,513 |
| **Total** | **199,275** | 231,063 |

***Expressed in Canadian Dollars***

## 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | **June 30 2024** | March 31 2024 |
|---|---|---|
| | **$** | $ |
| Accounts payable | 853,970 | 1,040,881 |
| Interest payable | 400,853 | 318,739 |
| Amount due to tax authorities | 14,392 | 19,279 |
| Accrued liabilities | 769,313 | 793,004 |
| **Total** | **2,038,528** | 2,171,903 |

Accounts payable are unsecured and are usually paid within 30 days of recognition. The interest payable balance is the amount payable on various debt balances outstanding as at June 30, 2024. Accrued liabilities include payroll costs, payroll taxes, employee reimbursements and other accrued expenses.

***Expressed in Canadian Dollars***

## 7. DEBT

The Company's debt agreements are between CE Brands Inc. and the lenders as described in this note. EBN was the borrower of the Founders' notes, which were not guaranteed by CE Brands Inc. The Founders' notes were derecognized in the bankruptcy in fiscal 2024 (Note 2).

| Instrument | Opening March 31, 2024 | Additions | Paid/Payable/ Accrued(1) | Non-cash items: Accretion | Non-cash items: Foreign exchange | Non-cash items: Gain on deconsolidation | Closing Jun 30, 2024 |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| Debenture notes | **4,693,411** | - | - | 253,833 | - | - | **4,947,244** |
| Choco Facility | **1,749,521** | - | - | - | 17,557 | - | **1,767,078** |
| Revolving Credit Facility | **2,766,740** | 481,985 | (1,033,018) | 76,218 | 11,858 | - | **2,303,783** |
| **Total long-term debt** | **9,209,672** | **481,985** | **(1,033,018)** | **330,051** | **29,415** | **-** | **9,018,105** |
| Less: current portion | **5,397,310** | | | | | | **5,139,409** |
| **Non-current portion of debt** | **3,812,362** | | | | | | **3,878,696** |

(1) $956,801 of principal was repaid during the period, while $76,217 of unpaid interest was transferred to Accounts payable and accrued liabilities.

| Instrument | Opening March 31, 2023 | Additions | Cash Payments | Non-cash items: Accretion | Non-cash items: Foreign exchange | Non-cash items: Gain on deconsolidation | Closing Jun 30, 2023 |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| Debenture notes | **4,636,377** | - | - | 83,560 | - | - | **4,719,937** |
| Loan Facility | **2,705,244** | - | - | - | (54,334) | - | **2,650,910** |
| Choco Facility | **1,609,919** | - | - | 34,413 | (34,557) | - | **1,609,775** |
| Revolving Credit Facility | **2,693,363** | 551,287 | (290,700) | 3,570 | (73,649) | - | **2,883,871** |
| Founders' notes | **1,245,013** | - | - | 24,982 | - | (1,269,995) | **-** |
| **Total long-term debt** | **12,889,916** | **551,287** | **(290,700)** | **146,525** | **(162,540)** | **(1,269,995)** | **11,864,493** |
| Less: current portion | **7,792,914** | | | | | | **11,864,493** |
| **Non-current portion of debt** | **5,097,002** | | | | | | **-** |

***Expressed in Canadian Dollars***

**Debenture notes (formerly "Convertible debenture notes")**

On November 12, 2021 and May 26, 2022 the Company entered into convertible debenture notes with an aggregate principal amount of $4,000,000 and $1,000,000 respectively subject to delayed draws to address the Company's working capital needs. The convertible notes bore an interest rate of 15.0% per annum on outstanding principal amounts, payable on the first and second anniversary of the issue date, unless redeemed or converted early. The convertible notes were senior secured obligations of the Company and matured on the second anniversary of the issue date. The convertible debentures were issued in tranches as follows:

| Tranche | Issue date | Maturity date | Amount drawn $ | Liability value $ | Equity value $ |
|---|---|---|---|---|---|
| Tranche 1 | Nov. 12, 2021 | Nov. 30, 2023 | 1,000,000 | 964,454 | 35,545 |
| Tranche 2 | Dec. 14, 2021 | Nov. 30, 2023 | 1,000,000 | 966,933 | 33,067 |
| Tranche 3 | Jan. 25, 2022 | Nov. 30, 2023 | 1,000,000 | 964,150 | 35,851 |
| Tranche 4 | Feb. 22, 2022 | Nov. 30, 2023 | 1,000,000 | 961,561 | 38,439 |
| Tranche 5 | May 26, 2022 | May 26, 2024 | 1,000,000 | 938,664 | 61,336 |
| **Total** | | | **5,000,000** | **4,795,762** | **204,238** |

Prior to maturity, the Convertible debenture notes were convertible into common shares of the Company, at the option of the holders, at a conversion price per share of $15.00. The Convertible debenture notes were not redeemable by the Company prior to the first anniversary of the issue date. The Company issued 200,000 and 50,000 warrants as part of the financing. Each warrant is exercisable at $10.00 per common share for a period of 24 months from the issuance dates of November 12, 2021, and May 26, 2022, respectively. The fair value of each issuance of warrants were $355,760 and $21,206 respectively, determined using a Black-Scholes-Merton model. Further, $243,528 and $19,905 of transaction costs were recorded at the funding date respectively. The fair value of the warrants and the transaction costs were recorded pro-rata on a net basis to the liability and equity components of the Convertible debenture notes.

On January 13, 2023, the Company and the holders of the Convertible debenture notes amended the terms of the instruments to remove the holders' right to convert into shares, to remove the option of the holders to request that interest be payable in common shares, and to extend the maturity date of all tranches to April 30, 2024 (collectively, the **"Debenture notes"**). The amended terms represented a substantial modification and the Convertible debenture notes were extinguished resulting in a loss of $34,266. The Debenture notes, with a principal value of $5,000,000, were initially recorded at fair value of $4,565,673 on the date of the amended agreement and were thereafter measured at amortized cost.

On October 12, 2023, the Company entered into definitive agreements to issue shares to settle its accrued interest balance on the Debenture notes. Under this agreement, interest of $1,270,685 was settled with the issuance of 6,353,425 common shares to the Debenture note holders at a price of $0.20.

On January 29, 2024, the Company amended the agreement with the Debenture notes holders. The revisions consisted of extending the maturity date from April 30, 2024 to October 1, 2025, waiving the pre-existing rights associated with a contractual breach in relation to the bankruptcy of EBN, waiving any pre-existing rights associated to a contractual breach in relation to any event prior to the date the amendment, including any failure to pay interest or principal during such period and amending the interest payment frequency to a quarterly basis commencing on April 1 2024 (the "Debenture Amendment"). The Debenture Amendment was not substantial as it did not change the future cash flows of the Debenture notes by more than 10%, and the Company applied modification accounting, recognizing a $376,824 gain in relation to the change in carrying value on the amendment date.

As at June 30, 2024, the fair value of the Debenture notes was $5,023,360.

**Choco Facility**

On May 24, 2022, the Company entered an agreement for the sale of US$2,475,000 ($3,174,435) of future receivables for net proceeds of up to US$2,250,000 ($2,885,850) (the **"Choco Facility"**). This is a financing agreement based on future receivables where the retrieval percentage represents the deferred financing cost.

The funds committed under the Choco Facility were drawn in three tranches with an initial tranche of US$1,250,000 ($1,693,162) of proceeds available to the Company on close for future receivables of US$1,375,000 on June 22, 2022. The initial tranche was to be repaid over eight months with a retrieval percentage of 15.6%, subject to maximum payments of US$154,688 per month for the first four months and US$252,083 per month for the remaining four months.

On August 26, 2022, the second tranche of US$500,000 ($677,265) was funded. The second tranche provided proceeds of US$500,000 for future receivables of US$550,000. This tranche was to be repaid over eight months with a retrieval percentage of 6.3% and maximum payments of US$61,875 per month for the first four months and US$100,833 per month for the remaining four months.

On October 31, 2022, the third tranche of US$500,000 ($677,265) was funded. The third tranche provided proceeds of US$500,000 for future receivables of US$550,000. The third tranche was to be repaid over eight months with a retrieval percentage of 6.3% and maximum payments of US$61,875 per month for the first four months and US$100,833 per month for the remaining four months.

During the fiscal year 2023, the Company repaid US$1,182,600 (CAD$1,588,267), leaving US$1,292,400 (CAD - 1,767,078) outstanding as on June 30 2024 (March 31, 2024 CAD$ - 1,749,521).

On November 15, 2023, the Company signed an amendment agreement with Choco (the **"Choco Amendment")**, which is subject to the closing of the prospectus financing. The Choco Amendment will affirm Choco's waiver of past non-compliance with minimum repayment requirements and will revise the repayment schedule of the Choco Facility. The closing of the amendment is subject to the close of a prospectus financing and is therefore not yet effective. As at March 31, 2024 the Company was not in compliance with the minimum repayment requirements under the Choco Facility.

Considering the short-term nature of this debt, management has determined that its fair value closely approximates its book value on June 30, 2024.

**Revolving Credit Facility**

On December 13, 2022, the Company entered into a revolving credit facility agreement of $12,000,000 to be advanced in stages based on eligible customer purchase orders (the **"Revolving Credit Facility"**). The contract has an interest rate of 1.0% of all outstanding amounts per month. The closing fee was $10,000 and servicing fees are $1,000 per month. The Revolving Credit Facility has an initial term of two (2) years and is advanceable in either USD or CAD.

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On October 12, 2023, CEBI entered into definitive agreements with the Revolving Credit Facility holders to settle $3,580,793 of principal and $288,178 of accrued interest with the issuance of 19,344,855 common shares at a price of $0.20. The outstanding principal balance of the Revolving Credit Facility at June 30, 2024 was $2,303,783 (CAD$1,951,286 and US$257,808).

Considering the short term nature of this debt, management has determined that the fair value of the debt approximates its book value on June 30, 2024.

**Loan Facility**

On June 20, 2022, the Company entered a binding term sheet for a loan agreement (the **"Loan Facility"**) to fund working capital and for other general corporate purposes, including the purchase of inventory, shipping costs and duty expenses. The term sheet represents a fully executed agreement and reflects all material terms and conditions with respect to the lending transaction and is binding between both parties. The Loan Facility was for up to a maximum of US$2,000,000 ($2,598,800) at an effective annual interest rate of 18.0% payable monthly based on the total drawn amount of the Loan Facility. There was no standby fee or interest due on undrawn amounts. The Loan Facility was drawn in three tranches as noted below.

| **Tranche** | **Issue Date** | **Amount $USD** |
|---|---|---|
| Tranche 1 | July 15, 2022 | 500,000 |
| Tranche 2 | August 15, 2022 | 500,000 |
| Tranche 3 | October 4, 2022 | 1,000,000 |
| **Total** | | **2,000,000** |

The principal and accrued interest of the Loan Facility was payable on the date which was 12 months following the date of the funding and was callable at any time by the lender with 30 days written notice at the lender's full discretion. The Loan Facility was a senior secured obligation of the Company, with security ranking pari-passu with the holders of the Debenture notes (formerly the "Convertible debenture notes").

Availability of the Loan Facility is subject to there being no material changes within the business or operations of the borrower during the funding period. The Company must inform the lender within five (5) business days in writing of any material changes in the Company and this may result in the termination of the Loan Facility and the Company's ability to access any undrawn amounts. Termination of the Loan Facility would force full repayment within 30 days of any drawn amounts plus accrued interest.

On January 13, 2023, the Company amended the terms of the US$2,000,000 Loan Facility. As a result of the amendment, the Loan Facility is payable on demand after 60 days prior written notice with no maturity date, interest is payable semi-annually in arrears, and the security of the Loan Facility will rank pari-passu with the Debenture notes.

As consideration for the amendment of the terms, the holders received 200,000 common share purchase warrants with each warrant having an exercise price of $1.00 per common share and an expiry date of two years after the issuance date of the warrants.

On October 12, 2023, the Company entered into definitive agreements to issue common shares to settle its accrued interest and principal balances on the Loan Facility. Under this agreement, interest and principal of US$424,394 ($577,642) and US$2,000,000 ($2,722,200), respectively were settled with the issuance of

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16,499,210 common shares to Vesta at a price of $0.20. As at June 30, 2024 there was no outstanding balance on the Loan Facility.

**Founders' notes**

The Founder's notes were originally received in three tranches during the fiscal years 2021 and 2022, the details of which can be found in the table below:

| Issue date | Tranche | Principal $ | Interest |
|---|---|---|---|
| August 31, 2020 | Tranche 1 | 187,500 | 4.5% per annum |
| October 26, 2020 | Tranche 1 | 663,284 | 4.5% per annum |
| November 23, 2020 | Tranche 1 | 24,000 | 4.5% per annum |
| December 30, 2020 | Tranche 2 | 300,000 | 4.5% per annum |
| March 9, 2020 | Tranche 3 | 425,486 | 4.5% per annum |
| **Total** | | **1,600,270** | |

The tranche 1 Founders' notes, with a principal value of $874,784 have matured. Out of the total amount, $480,935 was extended for a further two (2) years, while the remaining amount of $393,849 was neither extended nor repaid. The extended tranche 1 notes were measured at fair value at the date of renewal resulting in a credit to equity of $216,195.

The tranche 2 Founders' notes, with a principal value of $300,000, have matured. Out of the total amount, $132,868 was extended for a further two (2) years, while the remaining amount of $167,132 was neither extended nor repaid. The extended tranche 2 notes were measured at fair value at the date of renewal resulting in a credit to equity of $60,924.

The tranche 3 Founders' notes, with a principal value of $425,486, have matured during the year. Out of the total amount, $201,597 was extended for a further two (2) years, while the remaining amount of $223,889 was extended but not repaid. The extended tranche 2 notes were measured at fair value at the date of renewal resulting in a credit to equity of $101,018.

The Founders' notes bore interest at a rate of 4.5%. Tranche 1 and Tranche 2 were convertible at a fixed conversion price of $37.50. The Founders' notes were issued by EBN and on June 27, 2023, were no longer a liability of CEBI as a result of bankruptcy and deconsolidated (Note 2).

*Expressed in Canadian Dollars*

## 8. SHARE CAPITAL AND LOSS PER SHARE

### Share capital

| | Shares | Amount |
|---|---|---|
| | # | $ |
| **Balance at March 31, 2023** | **2,528,995** | **32,588,396** |
| Shares issued to Settle Debt | 42,197,484 | 8,439,497 |
| Less: Share Issuance Cost | - | (37,099) |
| **Balance at March 31, 2024 & June 30 2024** | **44,726,479** | **40,990,794** |

The Company is authorized to issue an unlimited number of common shares without nominal or par value.

The holders of common shares are entitled to dividends, if, and when declared by the board of directors, to one vote per share at meetings of the shareholders of the Company and, upon dissolution, to share equally in such assets of the Company as are distributable to the holders of common shares.

On October 12, 2023, the Company entered into definitive agreements for the issuance of 42,197,484 common shares to debtors of the Company (Note 7) to settle principal and accrued interest in the amount of $8,439,497. The Company incurred $37,099 in transaction costs to execute the transaction.

### Income (Loss) per share

The weighted average number of common shares used to calculate basic and diluted net (loss) income per share was 44,726,479 for the three months ended June 30, 2024 (2,528,995 - three months ended June 30, 2023). The Company excluded convertible debt, warrants and stock options from the calculation of diluted net (loss) income per share as they would be anti-dilutive.

## 9. RESERVES

### Warrants

The changes in share purchase warrants are summarized as follows:

| | Warrants | Weighted average exercise price |
|---|---|---|
| | # | $ |
| **Balance at March 31, 2023** | **953,518** | **37.10** |
| Warrants expired | (693,955) | 49.71 |
| **Balance at March 31, 2024** | **259,563** | **3.39** |
| Warrants expired | (59,563) | 11.40 |
| **Balance at June 30, 2024** | **200,000** | **1.00** |

*Expressed in Canadian Dollars*

The Company's outstanding warrants consist of the following:

| Issue date | Expiry date | Exercise price | June 30, 2024 | March 31, 2024 |
|---|---|---|---|---|
| | | $ | # | # |
| Nov. 8, 2020 | May 17, 2024 | 18.75 | - | 9,563 |
| May 26, 2022 | May 26, 2024 | 10.00 | - | 50,000 |
| January 13, 2023 | January 13, 2025 | 1.00 | **200,000** | 200,000 |
| **Total Outstanding Warrants** | | | **200,000** | 259,563 |

**Contributed surplus and share based compensation**

The Company has an option program that entitles officers, directors, employees and certain consultants to purchase shares in the Company. Options granted are exercisable at the market price of the shares at the date of grant, have a term of up to five years and vest over one to five years in accordance with the terms of the individual grants.

| | Options | Weighted average exercise price |
|---|---|---|
| | # | $ |
| **Balance at March 31, 2023** | **159,421** | **8.53** |
| Expired during the period | (39,688) | 7.12 |
| Forfeited during the period | (75,383) | 7.69 |
| **Balance at March 31, 2024** | **44,350** | **7.38** |
| Expired during the period | (6,000) | 22.22 |
| Forfeited during the period | (5,000) | 5.90 |
| **Balance at June 30, 2024** | **33,350** | **4.93** |

*Expressed in Canadian Dollars*

The following table provides information on stock options outstanding and exercisable as at June 30, 2024:

| **Expiry date** | **Options outstanding** | | **Options exercisable** | |
|---|---|---|---|---|
| | **Options** | **Exercise price** | **Options** | **Exercise price** |
| | **#** | **$** | **#** | **$** |
| November 1, 2024 | 4,000 | 0.500 | 4,000 | 0.500 |
| November 1, 2025 | 2,000 | 0.500 | 2,000 | 0.500 |
| December 29, 2024 | 10,675 | 5.900 | 10,675 | 5.900 |
| December 29, 2025 | 10,675 | 5.900 | 10,675 | 5.900 |
| June 29, 2025 | 6,000 | 5.900 | 6,000 | 5.900 |
| | **33,350** | | **33,350** | |

## 10. REVENUE

All of the Company's revenue until June 27, 2023 was derived from EBN and its wholly owned subsidiaries (Note 2). All revenue after June 27, 2023 was derived by CE Brands International. The top two customers of the Company accounted for 89% of the Company's total revenue for the three months ended June 30, 2024. The top customer accounted for 69% of the total revenue while the second one accounted for 20% of the total revenue for the three months ended June 30, 2024. The Company's revenues from the transfer of goods and services are recognized at a point in time and derived from the following geographical regions by the location of the customer purchasing the goods and services:

| | **Three months ended** | |
|---|---|---|
| **Region** | **June 30, 2024** | June 30, 2023 |
| | **$** | $ |
| North America | **1,248,904** | 345,068 |
| South and Central America | **61,805** | 91,049 |
| Europe | **287** | 168,282 |
| Asia | **26,724** | 532,193 |
| Other countries | **139** | 82,206 |
| **Total** | **1,337,859** | 1,218,798 |

***Expressed in Canadian Dollars***

## 11. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital for the three months ended consists of the following:

| | **June 30, 2024** | June 30, 2024 |
|---|---|---|
| | **$** | $ |
| Accounts receivable | **372,036** | 362,951 |
| Inventory | **(12,537)** | 251,483 |
| Prepaid expenses and deposits | **23,774** | (20,763) |
| Accounts payable and accrued liabilities | **(209,592)** | 505,335 |
| **Change in non-cash working capital - operating** | **173,681** | 1,099,006 |

## 12. COMMITMENTS

As at June 30, 2024, future minimum payments committed under non-cancellable agreements are as follows:

| | **Less Than 1 Year** | **1-3 Years** | **Total** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Committed purchase orders | 1,581,107 | - | 1,581,107 |
| Debenture notes[(1)] | 1,290,467 | 5,187,500 | 6,477,967 |
| Choco facility | 1,767,078 | - | 1,767,078 |
| Accrued interest on factoring | 27,927 | - | 27,927 |
| Revolving credit facility[(2)] | 2,454,790 | - | 2,454,790 |
| **As at June 30, 2024** | **7,121,369** | **5,187,500** | **12,308,869** |

(1) Balance includes interest of $221,918 on the Debenture notes held in accounts payable and accrued liabilities.

(2) Balance includes interest of $151,007 on the Revolving credit facility held in accounts payable and accrued liabilities.

## 13. SUBSEQUENT EVENTS

On August 1, 2024, the Company granted 4,425,000 options to employees, contractors, and directors. The options vest over 12 months, are exercisable at $0.20 per option, and expire five years from the grant date.

Subsequent to June 30, 2024, the Company repaid US$20,000 (CAD$27,407) towards the Choco Facility, and drew down US$160,000 (CAD$218,848) on its Revolving Credit Facility.