

# CE Brands Inc.

## **Condensed Consolidated Interim Financial Statements (Unaudited)**

For the three months ended June 30, 2023, and 2022

*(Expressed in Canadian dollars)*

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

		<b>June 30, 2023</b>	<b>March 31, 2023</b>
	Notes		
<b>ASSETS</b>			
<b>Current</b>			
Cash		-	576,007
Accounts receivable		-	417,953
Inventory		-	476,934
Prepaid expenses and deposits		<b>90,353</b>	524,385
<b>Total assets</b>		<b>90,353</b>	1,995,279
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		<b>2,104,059</b>	11,303,042
Due to related parties		-	346,256
Current portion of lease liabilities		-	21,864
Current portion of long-term debt	6	<b>11,864,493</b>	7,792,914
		<b>13,968,552</b>	19,464,076
<b>Non-current</b>			
Long-term debt	6	-	5,097,002
<b>Total liabilities</b>		<b>13,968,552</b>	24,561,078
<b>Shareholders' Equity</b>			
Share capital	9	<b>32,588,396</b>	32,588,396
Reserves		<b>11,491,994</b>	11,490,035
Accumulated other comprehensive loss		-	(17,668)
Deficit		<b>(57,958,589)</b>	(66,626,562)
<b>Total shareholders' deficit</b>		<b>(13,878,199)</b>	(22,565,799)
<b>Total liabilities and shareholders' deficit</b>		<b>90,353</b>	1,995,279

See accompanying notes to the condensed interim consolidated financial statements including Going concern (Note 2).

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

				<b>For the three-months ended</b>		
				Notes	<b>June 30, 2023</b>	June 30, 2022 (adjusted - Note 2)
<b>Revenue</b>	7	<b>1,218,798</b>				2,441,672
Cost of products and services		<b>680,373</b>				1,894,152
<b>Gross profit</b>		<b>538,425</b>				547,520
<b>Expenses</b>						
Wages and contractors		<b>392,650</b>				1,051,488
Royalties and license fees		<b>386,276</b>				472,171
Legal, accounting and other professional fees		<b>336,333</b>				272,788
Loss (gain) on foreign exchange		<b>195,581</b>				(90,826)
Marketing		<b>121,759</b>				226,773
Technology and related		<b>108,977</b>				138,542
General and administrative		<b>77,353</b>				262,356
Selling and distribution		<b>25,133</b>				197,787
Stock-based compensation		<b>1,959</b>				66,384
Depreciation & amortization		<b>-</b>				57,065
<b>Operating loss</b>		<b>(1,107,596)</b>				(2,107,008)
Finance costs	8	<b>(671,246)</b>				(445,650)
Gain on deconsolidation	2	<b>10,446,815</b>				-
<b>Income (loss) before income tax</b>		<b>8,667,973</b>				(2,552,658)
Income tax recovery		<b>-</b>				(15,334)
<b>Net income (loss)</b>		<b>8,667,973</b>				(2,537,324)
<b>Other comprehensive income</b>						
Gain on translation of foreign operations		<b>294,539</b>				160,657
Reclassification of foreign currency gains on deconsolidation	2	<b>(276,871)</b>				-
<b>Comprehensive income (loss)</b>		<b>8,685,641</b>				(2,376,667)
<b>Net income (loss) per share- basic and diluted</b>		<b>0.34</b>				(0.10)
<b>Weighted average number of shares – basic and diluted</b>		<b>25,290,187</b>				25,260,554

See accompanying notes to the condensed interim consolidated financial statements including Going concern (Note 2)

**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 Shareholders' deficit
Balance at March 31, 2022		25,260,554	32,511,792	1,114,384	7,937,022	1,955,989	11,007,395	(38,553,201)	(114,572)	4,851,414
Equity component of debt (net of tax \$15,334)				39,868			39,868			39,868
Issuance of warrants					21,206		21,206			21,206
Equity financing costs				(1,301)			(1,301)			(1,301)
Stock-based compensation						66,384	66,384			66,384
Net loss								(2,537,324)		(2,537,324)
Comprehensive gain									160,657	160,657
Balance at June 30, 2022		25,260,554	32,511,792	1,152,951	7,958,228	2,022,373	11,133,552	(41,090,525)	46,085	2,600,904
Balance at March 31, 2023		25,290,187	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
Comprehensive gain									294,539	294,539
Reclassification of foreign currency translation gain on deconsolidation	2								(276,871)	(276,871)
<b>Balance at June 30, 2023</b>		<b>25,290,187</b>	<b>32,588,396</b>	<b>1,429,773</b>	<b>8,058,153</b>	<b>2,004,068</b>	<b>11,491,994</b>	<b>(57,958,589)</b>	<b>-</b>	<b>(13,878,199)</b>

*See accompanying notes to the condensed interim consolidated financial statements including Going concern (Note 2)*

**CE BRANDS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian Dollars*

		<b>For the three months ended</b>	
	Notes	<b>June 30, 2023</b>	June 30, 2022 (adjusted- Note 2)
<b>Cash provided by (used in):</b>			
<b>Cash flows used in operating activities</b>			
Net income (loss)		<b>8,667,973</b>	(2,537,324)
Items not affecting cash:			
Amortization & depreciation		-	57,065
Accretion	8	<b>108,542</b>	45,736
Interest paid on choco facility		-	(83,561)
Stock based compensation		<b>1,959</b>	66,384
Gain on lease agreement termination		<b>(12,296)</b>	-
Amortization of financing costs	8	<b>37,983</b>	162,068
Unrealized gain on foreign exchange		<b>52,102</b>	(87,641)
Deferred tax recovery		-	(15,334)
Gain on deconsolidation	2	<b>(10,446,815)</b>	-
Changes in non-cash working capital	11	<b>924,002</b>	707,243
<b>Net cash used in operating activities</b>		<b>(666,550)</b>	(1,685,365)
<b>Cash flows used in investing activities</b>			
Cash lost on deconsolidation	2	<b>(164,275)</b>	-
<b>Net cash used in investing activities</b>		<b>(164,275)</b>	-
<b>Cash flows from financing activities</b>			
Proceeds from convertible debenture notes		-	1,000,000
Proceeds from choco facility		-	1,614,069
Proceeds from vesta revolving credit facility	6	<b>551,287</b>	-
Repayment of choco facility		-	(704,985)
Repayment of vesta revolving credit facility	6	<b>(290,700)</b>	-
Repayment of lease liability		<b>(7,947)</b>	(10,401)
Changes in non-cash working capital		-	(97,487)
<b>Net cash provided by financing activities</b>		<b>252,640</b>	1,801,195
Effect of change in foreign exchange rates on cash		<b>2,178</b>	4,431
<b>Increase (decrease) in cash</b>		<b>(576,007)</b>	120,261
Cash, beginning of period		<b>576,007</b>	715,796
<b>Cash, end of period</b>		-	836,057

## **CE BRANDS INC.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

*Expressed in Canadian Dollars*

---

#### **1. OVERVIEW AND NATURE OF OPERATIONS**

CE Brands Inc. ("CEBI") is a public company traded on the TSX-V 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" or "BIA"). 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 Statement of Financial Position at June 30, 2023 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 PREPARATION, 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 ("IASB"). 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 financial statements for the year ended March 31, 2023.

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, 2023. These consolidated financial statements were authorized for issue by the board of directors of the Company August 24, 2023.

##### **Deconsolidation**

During the first quarter, 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" or "HPI") 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 to HPI. While certain contracts may be assigned to the Company during the bankruptcy process there are no guarantees that such an assignment will occur. On June 27, 2023 CEBI lost decision-making power over the relevant activities of EBN and its subsidiaries

**CE BRANDS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian Dollars*

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 *Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)*. The deconsolidation was accounted for prospectively as at the date of bankruptcy.

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

	<b>June 27, 2023</b>
	<b>\$</b>
<b>ASSETS</b>	
Cash	164,275
Accounts receivable	50,479
Inventory	219,826
Prepaid expenses and deposits	425,558
<b>Total assets</b>	<b>860,138</b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	(9,420,650)
Due to related parties	(339,437)
Founders loan	(1,269,995)
<b>Total liabilities</b>	<b>(11,030,082)</b>
<b>Net assets deconsolidated</b>	<b>(10,169,944)</b>
Foreign currency translation reserve	(276,871)
<b>Total gain on deconsolidation</b>	<b>(10,446,815)</b>

After the deconsolidation of EBN, the Company's investment in the shares of EBN were recorded at fair value through profit and loss in accordance with IFRS 9. The fair value of the investment in EBN at June 30, 2023 is nil.

**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 considerable uncertainty with respect to the Company's ability to continue operations. At June 30, 2023 and during the associated three months ended the Company had a deficit of \$57,958,589 (March 31, 2023 - \$66,626,562), generated net income of \$8,667,973 which is inclusive of a gain on deconsolidation of \$10,446,815 (June 30, 2022 - net loss of \$2,537,324) and used cashflow in operating activities of \$666,550 (June 30, 2022 - \$1,685,365). The Company had a working capital deficiency of \$13,878,199 (March 31, 2023 - deficiency of \$17,468,797) which includes current debt of \$ 11,864,493 at June 30, 2023.

**CE BRANDS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian Dollars*

---

During the three months ended June 30, 2023 and subsequent thereto, the Company failed to make its contractual interest payments on the Debenture notes which was due May 25, 2023 and the Vesta Loan Facility which were due on April 3 and July 14, 2023, respectively. Additionally, the Company did not meet its minimum repayment requirements under the Choco Facility (Note 6). 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. The Company has not received waivers for these events of default and as at the date of this filing the lenders have not exercised any of their rights under their respective agreements.

On June 27, 2023, EBN, a wholly owned subsidiary of the Company, filed a voluntary assignment into bankruptcy under the Act. There is considerable 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:

- **Loss of material contracts:** The Company's revenues were generated through EBN and its wholly owned subsidiaries. For the three months ended June 30, 2023 CEBI and CE Brands International Inc. did not generate revenue. There is a risk that existing contracts between EBN, its subsidiaries and certain licensors, distributors and manufacturers may be terminated as part of the bankruptcy filing. While some of these contracts may be assigned to CEBI, there are no guarantees that such an assignment will occur or that any assigned contracts will be renewed at expiration.
- **Demand repayment of all debts:** The EBN bankruptcy process constitutes an event of default under the terms of certain of the Company's debt agreements. Subsequent to June 30, 2023, the Company received a notification from Vesta clarifying that the bankruptcy was not considered an event of default under the relevant lending agreements, which includes the Debenture Notes, Vesta Loan Facility and Vesta Revolving Credit Facility. Subsequent to June 30, 2023, the owner of the Choco Facility informed the Company that it had waived the event of default caused by the bankruptcy (Note 6). The waiver regarding the Choco Facility and the notification from Vesta do not waive the events of default caused by the non-payment of interest as described above and in Note 6, or any other events of default that may arise from time to time in the future.
- **Loss of the Company's intellectual property rights and a loss of control or relinquishment of the Company's assets as part of the EBN bankruptcy process may result in the Company being unable to continue operations.**
- **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 24, 2023 the EBN bankruptcy process is ongoing and EBN has not been discharged from bankruptcy.

The Company's ability to continue operations is contingent on 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 sufficient debt or equity financing will 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, results of operations or prospects. These conditions create a material uncertainty that may cast significant doubt on the Company's ability to continue as



**CE BRANDS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian Dollars*

---

a going concern.

These consolidated 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.

**Immaterial error corrections**

The comparative consolidated financial statements reflect certain immaterial corrections to the financial statements for the quarter ended June 30, 2022 (as restated in Note 2 of the condensed interim consolidated financial statements as at and for the period ended September 30, 2022), the impacts of which are as follows:

- an increase to revenue and cost of products and services of \$46,975. Accordingly, the previously reported revenue and cost of products and services of \$2,394,697 and \$1,847,177, respectively, have been adjusted to \$2,441,672 and \$1,894,152, respectively, for the three months ended June 30, 2022.
- an increase to net cash used in operating activities of \$83,561 and corresponding increase to net cash provided by financing activities for the same amount. Accordingly, the previously reported net cash used in operating activities and net cash provided by financing activities of (\$1,601,804) and \$1,717,634 respectively, have been adjusted to (\$1,685,365) and \$1,801,195 respectively, for the three months ended June 30, 2022.

**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 company has no Cash or Accounts receivable as at June 30, 2023.

**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 statement of financial position. The

**CE BRANDS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian Dollars*

---

Company will require additional funding to reduce its exposure to liquidity risk (Note 2).

The Company is currently looking for financing options to meet its maturing profile of liabilities. 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 at June 30, 2023:

	Less than 1 year	1-3 years	Total
Accounts payable and accrued liabilities	2,104,059	-	2,104,059
Long-term debt <sup>(1)</sup>	11,989,692	-	11,989,692
<b>Total</b>	<b>14,093,751</b>	<b>-</b>	<b>14,093,751</b>

(1) Presented as the undiscounted contractual amount of long-term debt instruments gross of deferred financing fees.

**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 is exposed to interest rate risk on the long-term debt that bear interest at variable rates of interest. A 1% increase in the interest rate would have a \$29,974 decrease on the net income and accumulated deficit of the Company for the three months ended June 30, 2023 (June 30, 2022 – increase of \$55,461 to net loss).

**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. An aggregate of 1% increase in the exchange rates would have a \$77,193 impact on the comprehensive loss and accumulated deficit of the Company for the three months ended June 30, 2023 (June 30, 2022 - \$15,200).

**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 nature of the business. The Company considers its capital structure to include shareholders' equity and working capital surplus/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, 2023, Accounts payable and accrued liabilities included \$209,203 of amounts owed to directors and officers of the Company (March 31, 2023 – \$91,591).

In addition, the Debenture notes, Vesta Loan Facility and Vesta Revolving Credit Facility (Note 6) each constitutes a related party transaction for the purposes of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"), as each transaction involves the Company borrowing money from an entity (the "Vesta Fund"), over which Vesta Wealth Partners Ltd. ("Vesta"), a "related party" within the meaning of MI 61-101 of the Company, exercises certain discretionary control.

**CE BRANDS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian Dollars***6. LONG TERM DEBT**

As at June 30, 2023, the Company's debt agreements are between CE Brands Inc. and the relevant lenders as described in this note. As further described in this note, EBN was the borrower of the Founders' notes, and these instruments were not guaranteed by CE Brands Inc.

Instrument	Opening March 31, 2023	Additions	Accretion/ Amortization	Cash payments	Foreign exchange	Gain on deconsolidation	Closing June 30, 2023
Debenture notes	4,636,377	-	83,560	-	-	-	<b>4,719,937</b>
Vesta loan facility	2,705,244	-	-	-	(54,334)	-	<b>2,650,910</b>
Choco Facility	1,750,594	-	-	-	(37,577)	-	<b>1,713,017</b>
Deferred costs on Choco Facility	(140,675)	-	34,413	-	3,020	-	<b>(103,242)</b>
Vesta Revolving Credit Facility	2,693,363	551,287	3,570	(290,700)	(73,649)	-	<b>2,883,871</b>
Founders' notes	1,245,013	-	24,982	-	-	(1,269,995)	-
<b>Total long-term debt</b>	<b>12,889,916</b>	<b>551,287</b>	<b>146,525</b>	<b>(290,700)</b>	<b>(162,540)</b>	<b>(1,269,995)</b>	<b>11,864,493</b>
Less: current portion	7,792,914						<b>11,864,493</b>
<b>Non-current portion of debt</b>	<b>5,097,002</b>						-

**CE BRANDS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***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 earlier redeemed or converted. The convertible notes were senior secured obligations of the Company and mature 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
<b>Total</b>			<b>5,000,000</b>	<b>4,795,762</b>	<b>204,238</b>

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 \$1.50. The convertible notes were not redeemable by the Company prior to the first anniversary of the issue date. The Company issued 2,000,000 and 500,000 warrants (500,000 per tranche) as part of the financing. Each warrant was exercisable at \$1.00 per common share for a period of 24 months from 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 notes.

On January 13, 2023, the Company and the holders of the convertible debenture notes amended the terms of the instruments in order 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 are thereafter measured at amortized cost.

On June 30, 2023, the company calculated the fair value of Debenture notes with an effective interest rate of 25% and a maturity date of April 30, 2024. The fair value amount calculated was \$4,669,551.

On May 25, 2023, the Company failed to make its contractual interest payment on tranche 5 of the Debenture notes, which is considered an event of default under the terms of the agreement for tranche 5. As at the date of this filing the Company has not received a waiver for the event of default; however, the lender has not

**CE BRANDS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian Dollars*

exercised any of its rights under the terms of the agreement.

**Vesta Loan Facility**

On June 20, 2022, the Company entered a binding term sheet with the Vesta Fund for a loan agreement (the "Vesta 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 Vesta Loan Facility is for up to a maximum of US\$2,000,000 (CAD\$ 2,598,800) at an effective annual interest rate of 18.0% payable monthly based on the total drawn amount of the Vesta Loan Facility. There is no standby fee or interest due on undrawn amounts. The Vesta 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
<b>Total</b>		<b>2,000,000</b>

The Vesta Loan Facility matured, and all principal and accrued interest were 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 Vesta Loan Facility was a senior secured obligation of the Company, and the Vesta Fund will be provided with security ranking pari passu with the holders of the Debenture notes (formerly the "Convertible debenture notes").

Availability of the Vesta 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 Vesta Loan Facility and the Company's ability to access any undrawn amounts. Termination of the Vesta 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 Vesta Loan Facility with the Vesta Fund. As a result of the amendment, the Vesta 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 Vesta Loan Facility will rank pari passu with the Debenture notes.

As consideration for the amendment of the terms, the Vesta Fund received 2,000,000 common share purchase warrants with each warrant having an exercise price of \$0.10 per common share in the capital of the Company and being exercisable on or before two years after the date of issuance of the warrants. As the loans are payable on demand within 60 days the Company has determined that the fair value of the debt approximates its book value as on June 30, 2023.

**CE BRANDS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian Dollars*

---

The Company has failed to make its semi-annual interest payments under the terms of the Vesta Loan Facility agreement.

**Choco Facility**

On May 24, 2022, the Company entered an agreement for the sale of US\$2,475,000 (CAD\$3,174,435) of future receivables for net proceeds of up to US\$2,250,000 (CAD\$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 will be drawn in three tranches with an initial tranche of US\$1,250,000 (CAD\$ 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 is 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 (CAD\$677,265) was funded. The second tranche provides for proceeds of US\$500,000 for future receivables of US\$550,000. This tranche is 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 (CAD\$677,265) was funded. The third tranche provides for proceeds of US\$500,000 for future receivables of US\$550,000. The third tranche is 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.

Considering the short-term nature of this debt, the Company has determined that the fair value of the debt approximates its book value as on June 30, 2023.

The Company is not compliant with the minimum repayment terms of the Choco Facility and has triggered an event of default on its Debenture notes (described above), both of which constitute an event of default under the terms of the Choco Facility agreement. The lender has not provided a waiver for the events of default and, as at the date of this filing, the lender has not exercised any of its rights under the terms of the agreement.

**Vesta Revolving Credit Facility**

On December 13, 2022, the Company entered into a credit facility agreement of \$12,000,000 to be advanced in stages based on eligible customer purchase orders (the "Vesta Revolving Credit Facility"). The contract has an interest rate of 1% of all outstanding amounts per month. The closing fee was \$10,000 and servicing fee is \$1,000 per month. The Vesta Revolving Credit Facility has an initial term of two (2) years and is advanceable in either USD or CAD. As at June 30, 2023, the outstanding balance of Vesta Revolving Credit Facility was \$2,883,871 (CAD\$ 32,573 and US\$ 2,168,731).

Considering the short-term nature of this debt, the Company has determined that the fair value of the debt approximates its book value as on June 30, 2023.

**CE BRANDS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian Dollars***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:

<b>Issue Date</b>	<b>Tranche</b>	<b>Principal</b>	<b>Interest</b>
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
<b>Total</b>		<b>1,600,270</b>	

The Founders' notes of tranche 1, 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 \$167,131 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 \$223,907 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 bear interest at a rate of 4.5%. The principal of tranches 1 and 2 are convertible at a fixed conversion price of \$3.75 cents. The Founders' notes were issued by EBN, and on June 27, 2023, were deconsolidated (Note 2).



**CE BRANDS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian Dollars***7. REVENUE**

All of the Company's revenue was derived from EBN and its wholly owned subsidiaries (Note 2). All of the Company's revenue for the 3 months ended June 30, 2023 relates to revenue generated by EBN and its wholly owned subsidiaries up to June 27, 2023, the date at which the Company deconsolidated EBN. 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 end consumer:

<b>For the three months ended</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
United States	<b>294,238</b>	1,530,550
Hong Kong	<b>532,193</b>	536,381
Canada	<b>50,830</b>	188,430
United Kingdom	<b>31,983</b>	71,207
Brazil	<b>91,049</b>	-
Poland	<b>87,805</b>	-
Spain	<b>48,494</b>	-
Other countries	<b>82,207</b>	115,104
<b>Total</b>	<b>1,218,798</b>	2,441,672

**8. FINANCING COSTS**

<b>For the three months ended:</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Interest expense	<b>524,721</b>	237,839
Accretion expense	<b>108,542</b>	45,736
Amortization of financing costs	<b>37,983</b>	162,068
<b>Total</b>	<b>671,246</b>	445,650

**CE BRANDS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian Dollars***9. SHARE CAPITAL AND LOSS PER SHARE****Share capital**

	Number of shares #	Amount \$
<b>Balance at March 31, 2022 and June 30, 2022</b>	<b>25,260,554</b>	<b>32,511,792</b>
Exercise of options	29,633	76,604
<b>Balance at March 31, 2023 and June 30, 2023</b>	<b>25,290,187</b>	<b>32,588,396</b>
<b>Weighted Average shares for the period ended June 30 2023</b>	<b>25,290,187</b>	

The Company is authorized to issue an unlimited number of Common Shares and Preferred 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.

**Income (Loss) per share**

The weighted average number of common shares used to calculate basic and diluted income (loss) per share is 25,290,187 for the three months ended June 30, 2023 (three months ended June 30, 2022 – 25,260,554). The Company excluded warrants and stock options from the calculation of diluted Income (loss) per share as they would be anti-dilutive.

**10. RESERVES****Warrants**

The changes in share purchase warrants are summarized as follows:

	Number of warrants #	Amount \$
<b>Balance at March 31, 2022</b>	<b>7,096,667</b>	<b>7,937,022</b>
Warrants issued	2,500,000	121,131
Warrants expired	(61,492)	-
<b>Balance at March 31, 2023</b>	<b>9,535,175</b>	<b>8,058,153</b>
Warrants expired	(4,156,626)	-
<b>Balance at June 30, 2023</b>	<b>5,378,549</b>	<b>8,058,153</b>

**CE BRANDS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian Dollars*

The Company issued 500,000 warrants as part of the debt financing announced on May 26, 2022. Each warrant is exercisable at \$1.00 per common share for a period of 24 months from issuance.

The company issued 2,000,000 warrants in connection with amendments to the Vesta Loan Facility having an exercise price of \$0.10 per common share being exercisable for a period of 24 months from issuance.

There were no warrants issued in the current period. The key assumptions underlying the valuation of warrants issued since March 31, 2022 were as follows:

	<b>January 13, 2023</b>	<b>May 26, 2022</b>
	<b>Issuance</b>	<b>Issuance</b>
Exercise price	\$0.10	\$1.00
Market price at issuance date	\$0.10	\$0.25
Annualized volatility	90.79%	90.79%
Expected life	2 years	2 years
Risk-free rate	3.83%	2.55%
Dividend yield	NA	NA
<b>Fair value per warrant</b>	<b>\$0.049</b>	<b>\$0.042</b>

The Company's outstanding warrants consist of the following:

<b>Issue date</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>June 30, 2023</b>	<b>March 31, 2023</b>
		<b>\$</b>	<b>#</b>	<b>#</b>
08-Nov-20	07-Jul-23	1.875	545,861	545,861
08-Nov-20	17-May-24	1.875	95,625	95,625
20-Nov-20	20-Jul-23	1.875	125,063	125,063
26-Jun-21	26-Jun-23	7.500	-	4,156,626
12-Nov-21	12-Nov-23	1.000	2,112,000	2,112,000
26-May-22	26-May-24	1.000	500,000	500,000
13-Jan-23	13-Jan-25	0.100	2,000,000	2,000,000
<b>Total Outstanding Warrants</b>			<b>5,378,549</b>	<b>9,535,175</b>

**CE BRANDS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian Dollars***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.

	<b>Number of options #</b>	<b>Weighted average exercise price \$</b>
<b>Balance at March 31, 2022</b>	<b>2,474,573</b>	<b>1.760</b>
Granted during the period	310,000	0.590
<b>Balance at June 30, 2022</b>	<b>2,784,573</b>	<b>1.630</b>
Forfeited during the period	(1,348,200)	2.727
Exercised during the period	(29,633)	1.875
Granted during the period	520,000	0.207
Expired during the period	(332,531)	4.150
<b>Balance at March 31, 2023</b>	<b>1,594,209</b>	<b>0.853</b>
Expired during the period	(315,429)	0.712
Forfeited during the period	(453,833)	0.824
<b>Balance at June 30, 2023</b>	<b>824,947</b>	<b>0.545</b>

On June 29, 2022, the Company issued 310,000 employee stock options at an exercise price of \$0.21. The options shall vest in full on the first anniversary following the date of the grant. Upon vesting, Options shall expire on date that is 24 months from the anniversary of the vesting date such that all options shall expire on June 29, 2025.

On September 20, 2022, the Company reinstated 20,000 employee stock options at an exercise price of \$1.875. The vesting date and expiry date of the said options was April 1, 2021, and April 1, 2023, respectively. The options were reinstated to reverse the termination of the said options earlier on April 15, 2021, as per the contract to allow the exercise of the same. All the said options were exercised by the option holder.

On Jan 3, 2023, the Company issued 300,000 employee stock options at an exercise price of \$0.10. The options shall vest in one-fourth part on every six months anniversary following the date of the grant. Upon vesting, options shall expire on the date that is 24 months from the anniversary of the vesting date.

**CE BRANDS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian Dollars*

On Jan 3, 2023, the Company issued another 200,000 employee stock options at an exercise price of \$0.20. The options shall vest in one half on September 26, 2023, and September 26, 2024. Upon vesting, options shall expire on the date that is 24 months from the anniversary of the vesting date.

	<b>January 3, 2023</b>	<b>June 29, 2022</b>
	<b>Issuances</b>	<b>Issuance</b>
Exercise price	\$0.10 - \$0.20	\$0.21
Annualized volatility	92.82%	90.88%
Expected life	2 years	2 years
Risk-free rate	3.83%	3.10%
Dividend yield	0%	0%
<b>Fair value per option</b>	<b>\$0.26 - \$0.29</b>	<b>\$0.09</b>

The following table provides information on stock options outstanding and exercisable as at June 30, 2023:

<b>Expiry Date</b>	<b>Options Outstanding</b>		<b>Options exercisable</b>	
	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Number of Options</b>	<b>Exercise Price</b>
01-Apr-24	26,667	1.875	26,667	1.875
01-Apr-24	33,333	2.500	33,333	2.500
01-Nov-23	40,000	0.050	40,000	0.050
01-Nov-24	40,000	0.050	40,000	0.050
01-Nov-25	20,000	0.050	-	0.050
29-Dec-24	131,750	0.590	131,750	0.590
29-Dec-25	131,750	0.590	-	0.590
29-Jun-25	60,000	0.590	60,000	0.590
01-Jul-25	75,000	0.100	-	0.100
03-Jan-26	75,000	0.100	-	0.100
01-Jul-26	75,000	0.100	-	0.100
03-Jan-27	75,000	0.100	-	0.100
22-Jun-26	41,447	2.075	41,447	2.075
<b>Total</b>	<b>824,947</b>		<b>373,197</b>	

**CE BRANDS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian Dollars***11. NET CHANGE IN NON-CASH WORKING CAPITAL**

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

	<b>30-Jun-23</b>	30-Jun-22
Accounts receivable	<b>362,951</b>	551,307
Inventory	<b>251,483</b>	86,359
Prepaid expenses and deposits	<b>5,188</b>	432,122
Accounts payable and accrued liabilities	<b>304,380</b>	(362,545)
<b>Change in non-cash working capital - operating</b>	<b>924,002</b>	707,243

**12. COMMITMENTS**

As at June 30, 2023, future minimum payments committed under non-cancellable agreements are as follows:

	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>Total</b>
Committed purchase orders	142,884	-	142,884
<b>Total</b>	<b>142,884</b>	-	<b>142,884</b>