

CE Brands Inc.

Condensed Consolidated Interim Financial Statements (Unaudited)

For the nine months ended December 31, 2023, and 2022

(Expressed in Canadian dollars)

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

		December 31, 2023	March 31, 2023
	Notes		
ASSETS			
Current			
Cash		7,098	576,007
Accounts and other receivable		233,151	417,953
Inventory		-	476,934
Prepaid expenses, deposits and deferred expenses		502,537	524,385
Total assets		742,786	1,995,279
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		1,333,806	11,303,042
Due to related parties		-	346,256
Current portion of lease liabilities		-	21,864
Current portion of long-term debt	6	8,107,516	7,792,914
		9,441,322	19,464,076
Long-term debt	6	-	5,097,002
Total liabilities		9,441,322	24,561,078
Shareholders' equity			
Share capital	8	40,990,794	32,588,396
Reserves	9	11,459,214	11,490,035
Accumulated other comprehensive loss		-	(17,668)
Deficit		(61,148,544)	(66,626,562)
Total shareholders' deficit		(8,698,536)	(22,565,799)
Total liabilities and shareholders' equity		742,786	1,995,279

See accompanying notes to the condensed interim consolidated financial statements including Going concern (Note 2), Debt (Note 6), and Subsequent Events (Note 12).

CE BRANDS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME (LOSS) AND COMPREHENSIVE INCOME LOSS (UNAUDITED)

Expressed in Canadian Dollars

	Notes	For the three months ended		For the nine months ended	
		December 31		December 31	
		2023	2022 (adjusted- note 2)	2023	2022 (adjusted- note 2)
Revenue	7, 2	199,361	1,526,235	1,418,159	6,215,205
Cost of products and services	2	164,558	4,318,478	844,931	7,945,299
Gross profit		34,803	(2,792,243)	573,228	(1,730,094)
Expenses					
Wages and contractors		537,331	952,166	1,606,947	3,030,495
Legal, accounting and other professional fees		140,255	203,343	659,104	648,516
Royalties and license fees		9,992	978,446	396,268	1,858,929
Loss (gain) on foreign exchange		(31,584)	(273,835)	348,466	(498,670)
Vendor set up costs		-	-	183,010	-
General and administrative		51,085	256,255	231,295	682,918
Marketing		32,401	265,928	190,094	722,763
Technology and related		54,677	154,400	163,654	441,921
Selling and distribution		4,913	104,287	49,395	470,755
Stock-based compensation		5,743	27,738	(30,821)	30,990
Depreciation & amortization		-	19,764	-	127,974
Operating loss		(770,010)	(5,480,736)	(3,224,184)	(9,246,685)
Finance costs	6	(397,455)	(639,871)	(1,505,800)	(1,517,714)
Other finance charges		23,937	(17,783)	(238,813)	(55,462)
Gain on deconsolidation	2	-	-	10,446,815	-
Fair value gain/(loss) on financial instruments		-	(163)	-	(163)
Income (loss) before income tax		(1,143,528)	(6,138,553)	5,478,018	(10,820,025)
Income tax recovery		-	(74,042)	-	(89,376)
Net income (loss)		(1,143,528)	(6,064,511)	5,478,018	(10,730,649)
Other comprehensive income					
Gain on translation of foreign operations		-	(222,641)	294,539	116,547
Reclassification of foreign currency gains on deconsolidation	2	-	-	(276,871)	-
Comprehensive income (loss)		(1,143,528)	(6,287,152)	5,495,686	(10,614,102)
Net income (loss) per share - basic and diluted		(0.04)	(2.40)	0.44	(4.24)
Weighted average shares - basic and diluted		32,342,459	2,527,801	12,502,970	2,529,079

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

(2) On January 24, 2024 the Company completed a 10 to 1 share consolidation transaction (reverse split) where in the outstanding common shares, share warrants & share options were consolidated on a 10:1 basis. The number of common shares, per share amount, warrants and options, including comparative figures have been adjusted to reflect the reverse split.

CE BRANDS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

Expressed in Canadian Dollars

				Equity	Warrants	Contributed			Accumulated	
	Notes	Number of	Share	component	reserve	surplus	Reserves	Deficit	other	Total
		shares	capital	of debt					comprehensive	
									loss	
Balance at March 31, 2022		2,526,055	32,511,792	1,114,383	7,937,022	1,955,989	11,007,394	(38,553,201)	(114,572)	4,851,412
Options converted to shares		2,964	76,604			(21,041)	(21,041)			55,564
Equity component of debt (net of tax \$89,376)				242,948			242,948			242,948
Equity financing costs				(1,301)			(1,301)			(1,301)
Issuance of warrants					21,206		21,206			21,206
Stock-based compensation						30,990	30,990			30,990
Net loss								(10,730,649)		(10,730,649)
Comprehensive gain									116,547	116,547
Balance at December 31, 2022		2,529,019	32,588,396	1,356,030	7,958,228	1,965,938	11,280,196	(49,283,850)	1,975	(5,413,283)
Balance at March 31, 2023		2,529,019	32,588,396	1,429,773	8,058,153	2,002,109	11,490,035	(66,626,562)	(17,668)	(22,565,799)
Shares issued to settle Debt		42,197,484	8,439,497							8,439,497
Share issuance cost			(37,099)							(37,099)
Stock-based compensation						(30,821)	(30,821)			(30,821)
Net income								5,478,018		5,478,018
Comprehensive gain									294,539	294,539
Reclassification of foreign currency gains on deconsolidation	2								(276,871)	(276,871)
Balance at December 31, 2023		44,726,503	40,990,794	1,429,773	8,058,153	1,971,288	11,459,214	(61,148,544)	-	(8,698,536)

CE BRANDS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

Expressed in Canadian Dollars

		For the nine months ended	
	Notes	December 31, 2023	December 31, 2022 (adjusted- note 2)
Cash provided by (used in):			
Cash flows used in operating activities			
Net income (loss)		5,478,018	(10,730,649)
Items not affecting cash:			
Amortization & depreciation		-	127,974
Finance cost	6	1,505,800	1,517,714
Non-cash portion of other finance charges		217,130	-
Interest paid on choco facility		-	(192,952)
Stock based compensation		(30,821)	30,990
Gain on lease agreement termination		(12,296)	-
Unrealized loss (gain) on foreign exchange		129,124	(474,243)
Deferred tax recovery		-	(89,376)
Gain on deconsolidation		(10,446,815)	-
Changes in non-cash working capital	10	148,784	3,785,447
Net cash used in operating activities		(3,011,076)	(6,025,094)
Cash flows used in investing activities			
Cash lost on deconsolidation	2	(164,275)	-
Net cash used in investing activities		(164,275)	-
Cash flows from financing activities			
Proceeds from convertible debenture notes		-	900,000
Proceeds from loan facility		-	2,676,957
Proceeds from revolving credit facility	6	3,245,025	1,037,213
Proceeds from revolving credit facility (factored)	6	126,826	-
Proceeds from choco facility		-	2,951,276
Repayment of choco facility		-	(1,790,010)
Options converted to shares		-	55,564
Repayment of revolving credit facility	6	(753,465)	-
Repayment of lease liability		(7,947)	(44,159)
Net cash provided by financing activities		2,610,439	5,786,841
Effect of change in foreign exchange rates on cash		(3,997)	17,876
Decrease in cash		(568,909)	(220,377)
Cash, beginning of period		576,007	715,796
Cash, end of period		7,098	495,419

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. (the “**Company**” or “**CEBI**”) is a public company traded on the TSX Venture Exchange (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**”). 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 December 31, 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. The Company has reclassified certain comparative figures in the condensed consolidated interim financial statements to align with the current period’s presentation. These consolidated financial statements were authorized for issue by the board of directors of the Company February 14, 2024.

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. On June 27, 2023 CEBI lost decision-making power over the relevant activities of EBN and its subsidiaries to the Trustee. The Company

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Expressed in Canadian Dollars

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.

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

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 December 31, 2023 is 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.

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There is considerable uncertainty with respect to the Company's ability to continue operations after the EBN bankruptcy on June 27, 2023. At December 31, 2023 and during the associated nine months ended the Company had a deficit of \$61.15 million (March 31, 2023 - \$66.63 million), generated net income of \$5.48 million which is inclusive of a gain on deconsolidation of \$10.45 million (December 31, 2022 – net loss of \$10.73 million) and used cash flow in operating activities of \$3.01 million (December 31, 2022 - \$6.03 million). The Company had a working capital deficiency of \$8.7 million (March 31, 2023 – deficiency of \$17.47 million) which includes current debt of \$8.1 million.

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 February 14, 2024 the EBN bankruptcy process is ongoing and EBN has not been discharged from bankruptcy.

During the nine months ended December 31, 2023, 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 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 as at December 31, 2023.

During the period 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 eBuyNow eCommerce Ltd., (ii) waive any pre-existing rights associated with a contractual breach in relation to any failure to pay interest or principal during such period. The closing of the amendment is subject to the close of the prospectus financing and is therefore not yet effective (Note 6).

During the three months ended December 31, 2023 the Company entered into definitive agreements for the issuance of 42,197,484 common shares of the Company to settle principal and accrued interest in the amount of \$8,439,497 (Notes 6 and 8).

Subsequent to December 31, 2023, 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 eBuyNow eCommerce Ltd., (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 (Note 6 & 12).

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. Although the Company is currently engaged in a

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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best efforts prospectus offering (Note 12), there can be no assurance that the equity 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, results of operations or prospects. These conditions create a material uncertainty that may cast significant doubt on the Company's ability to continue as 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 consolidated financial statements reflect certain immaterial corrections to the financial statements as at and for the three and nine months ended December 31, 2022, the impacts of which are as follows:

- an increase in revenue and cost of products and services of \$33,825 and \$144,971 for the three months and nine months ended December 31, 2022, respectively. Accordingly, the previously reported revenue and cost of products and services of \$1,492,410 & \$4,284,653, respectively, have been adjusted to \$1,526,235 and \$4,318,478, respectively, for the three months ended December 31, 2022. Also, the previously reported revenue and cost of products and services of \$ 6,070,234 and \$7,800,328, respectively, have been adjusted to \$6,215,205 and \$7,945,299 for the nine months ended December 31, 2022.
- an increase to net cash used in operating activities of \$192,952 and a 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 (\$5,832,143) and \$5,593,890 respectively, have been adjusted to (\$6,025,094) and \$5,786,842 respectively, for the nine months ended December 31, 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.

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Expressed in Canadian Dollars

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:

	December 31, 2023	March 31, 2023
Cash	7,098	576,007
Accounts receivable	233,151	417,953
Total	240,249	993,960

There is credit risk with respect to accounts receivables, as the Company has a small number of customers, 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 December 31, 2023 two customers formed 100% of the accounts receivable balance of the company.

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 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:

	Less than 1 year	1-3 years	Total
Accounts payable and accrued liabilities	1,129,581	-	1,129,581
Interest payable on outstanding debt	204,225	-	204,225
Long-term debt ⁽¹⁾	8,236,598	-	8,236,598
As at December 31, 2023	9,570,404	-	9,570,404

(1) The undiscounted contractual amount of long-term debt.

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.

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Expressed in Canadian Dollars

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 \$60,806 impact on the net income and accumulated deficit of the Company for the nine months ended December 31, 2023 (December 31, 2022 - \$90,860).

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 \$83,794 impact on the comprehensive loss and accumulated deficit of the Company for the nine months ended December 31, 2023 (December 31, 2022 - \$49,818).

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 December 31, 2023, Accounts payable and accrued liabilities included \$261,738 of amounts owed to directors and officers of the Company (March 31, 2023 - \$91,591).

In addition, the Debenture notes and Revolving credit facility (Note 6) 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" of the Company within the meaning of MI 61-101 of the company, exercises certain discretionary control.

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Expressed in Canadian Dollars

6. 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.

Instrument	March 31, 2023	Additions	Financing expense	Paid/Payable/ Accrued ⁽²⁾	Shares issued ⁽¹⁾	Foreign exchange	Gain (loss) on deconsolidation	December 31, 2023
Debenture notes	4,636,377		799,610	(565,068)				4,870,919
Loan Facility	2,705,244		286,307	(286,307)	(2,722,200)	16,956		-
Choco Facility	1,750,594		-			(38,171)		1,712,423
Deferred costs Choco Facility	(140,675)		137,654	-		3,021		-
Revolving Credit Facility	2,693,363	3,371,851	257,247	(1,201,093)	(3,580,793)	(16,401)		1,524,174
Founders' notes	1,245,013		24,982				(1,269,995)	-
Total long-term debt	12,889,916	3,371,851	1,505,800	(2,052,468)	(6,302,993)	(34,595)	(1,269,995)	8,107,516
Less: current portion	7,792,914							8,107,516
Non-current portion of debt	5,097,002							-

(1) \$6,302,993 of principal and \$2,136,505 of interest was settled during the period via the issuance of common shares.

(2) \$753,465 of principal was repaid during the period, while \$1,299,003 of unpaid interest was transferred to Accounts payable and accrued liabilities, of which \$1,094,778 in interest was settled via the issuance of shares during October 2023.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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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 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 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 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 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 November 14, 2023, the Company and Vesta signed a letter of intent to restructure the Debenture notes in the aggregate principal amount of \$5,000,000, which are held by investment vehicles advised or managed by Vesta, by extending the maturity date of those debentures from April 30, 2024, to at least July 1, 2025.

During the nine months ended December 31, 2023 Vesta confirmed the bankruptcy of EBN did not constitute an event of default under the terms of the Debenture notes arrangements with the Company. During the nine months ended December 31, 2023, the Company failed to make its contractual interest payments on the Debenture notes. The failure to make these payments is considered an event of default. Subsequent to the

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period end, the Company entered into definitive amendment agreements with the holders of the Debenture notes, whereby these defaults were waived (Note 12).

As at December 31, 2023, the Company calculated the fair value of Debenture notes as \$4,874,383 using an effective interest rate of 25% and a maturity date of April 30, 2024.

Loan Facility

On June 20, 2022, the Company entered a binding term sheet with the Vesta Fund 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, 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 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 with the Vesta Fund. 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 Vesta Fund 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 December 31, 2023 there was no outstanding balance on the Loan Facility.

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 prior fiscal year, the Company repaid US\$1,182,600, leaving US\$1,292,400 (December 31, 2023 - \$1,712,423 and March 31, 2023 - \$1,750,594) outstanding.

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 the prospectus financing and is therefore not yet effective. As at December 31, 2023 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 the fair value of the debt approximates its book value on December 31, 2023.

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.

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 December 31, 2023 was \$1,524,174 (CAD\$1,267,688 and US\$193,575).

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Considering the short term nature of this debt, management has determined that the fair value of the debt approximates its book value as on December 31, 2023.

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 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 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).

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7. REVENUE

All of the Company's revenue until June 27, 2023 was derived from EBN and its wholly owned subsidiaries (Note 2). The Company began generating revenue again in the three months period ending December 31, 2023. 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:

Region	For the three months ended December 31		For the nine months ended December 31	
	2023	2022	2023	2022
	\$	\$	\$	\$
Asia	-	162,022	532,193	698,403
North America	94,372	558,166	439,463	3,464,382
South & Central America	104,989	-	196,040	-
Europe	-	443,864	168,282	624,185
Other countries	-	362,183	82,181	1,428,235
Total	199,361	1,526,235	1,418,159	6,215,205

8. SHARE CAPITAL AND LOSS PER SHARE

Share capital

	Shares #	Amount \$
Balance at March 31, 2022	2,526,055	32,511,792
Exercise of options	2,964	76,604
Balance at December 31, 2022 and March 31, 2023	2,529,019	32,588,396
Shares issued to settle Debt	42,197,484	8,439,497
Less : Share issuance costs	-	(37,099)
Balance at December 31, 2023	44,726,503	40,990,794

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.

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 6) 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.

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Income (Loss) per share

The weighted average number of common shares used to calculate basic and diluted income (loss) per share is 12,502,970 for the nine months ended December 31, 2023 and 32,342,459 for the three months ended December 31, 2023. The Company excluded warrants and stock options from the calculation of diluted Income (loss) per share as they would be anti-dilutive.

9. RESERVES

Warrants

The changes in share purchase warrants are summarized as follows:

	Warrants #	Amount \$
Balance at March 31, 2022	709,667	7,937,022
Warrants issued	250,000	121,131
Warrants expired	(6,149)	0
Balance at March 31, 2023	953,518	8,058,153
Warrants expired	(693,955)	-
Balance at December 31, 2023	259,563	8,058,153

The Company issued 50,000 warrants as part of the debt financing announced on May 26, 2022. Each warrant is exercisable at \$10.00 per common share for a period of 24 months from issuance.

The Company issued 200,000 warrants on January 13, 2023 in connection with amendments to the Loan Facility having an exercise price of \$1.00 per common share and 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:

	January 13, 2023	May 26, 2022
Exercise price	\$1.00	\$10.00
Market price at issuance date	\$1.00	\$2.50
Annualized volatility	90.79%	90.79%
Expected life	2 years	2 years
Risk-free rate	3.83%	2.55%
Dividend yield	NA	NA
Fair value per warrant	\$0.49	\$0.42

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The Company's outstanding warrants consist of the following:

Issue date	Expiry date	Exercise price	December 31, 2023	March 31, 2023
		\$	#	#
Nov. 8, 2020	Jul. 7, 2023	18.75	-	54,586
Nov. 8, 2020	May 17, 2024	18.75	9,563	9,563
Nov. 20, 2020	Jul. 20, 2023	18.75	-	12,506
Jun. 26, 2021	Jun. 26, 2023	75.00	-	415,663
Nov. 12, 2021	Nov. 12, 2023	10.00	-	211,200
May 26, 2022	May 26, 2024	10.00	50,000	50,000
Jan. 13, 2023	Jan. 13, 2025	1.00	200,000	200,000
Total Outstanding Warrants			259,563	953,518

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, 2022	247,457	17.60
Forfeited during the period	(134,820)	27.27
Exercised during the period	(2,963)	18.75
Granted during the period	83,000	2.07
Agents' options expired in connection with public offering	(33,253)	41.50
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 December 31, 2023	44,350	7.38

On June 29, 2022, the Company issued 31,000 employee stock options at an exercise price of \$2.10. The options shall vest in full on the first anniversary following the date of the grant. Upon vesting, Options shall expire on a 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 2,000 employee stock options at an exercise price of \$18.75.

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.

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On Jan 3, 2023, the Company issued 30,000 employee stock options at an exercise price of \$1.00. 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.

On Jan 3, 2023, the Company issued 20,000 employee stock options at an exercise price of \$2.00. 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.

The key assumptions underlying the valuation of options issued since March 31, 2022 were as follows:

	January 3, 2023	June 29, 2022
Exercise price	\$1.00 - \$2.00	\$2.10
Annualized volatility	92.82%	90.88%
Expected life	2 years	2 years
Risk-free rate	3.83%	3.10%
Dividend yield	0%	0%
Fair value per option	\$2.60 - \$2.90	\$0.90

The following table provides information on stock options outstanding and exercisable as at December 31, 2023:

Expiry date	Options outstanding		Options exercisable	
	Options	Exercise price	Options	Exercise price
	#	\$	#	\$
Apr. 01, 2024	2,667	18.75	2,667	18.75
Apr. 01, 2024	3,333	25.00	3,333	25.00
Nov. 01, 2023	-	0.50	-	0.50
Nov. 01, 2024	4,000	0.50	4,000	0.50
Nov. 01, 2025	2,000	0.50	2,000	0.50
Dec. 29, 2024	13,175	5.90	13,175	5.90
Dec. 29, 2025	13,175	5.90	13,175	5.90
Jun. 29, 2025	6,000	5.90	6,000	5.90
	44,350		44,350	

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10. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	December 31, 2023 \$	December 31, 2022 \$
Accounts receivable	166,777	668,473
Inventory	251,923	916,729
Prepaid expenses and deposits	(409,990)	(148,542)
Accounts payable and accrued liabilities	140,074	2,348,787
Change in non-cash working capital - operating	148,784	3,785,447

11. COMMITMENTS

As at December 31, 2023, future minimum payments committed under non-cancellable agreements are as follows:

	Less Than 1 Year \$	1-3 Years \$	Total \$
Committed purchase orders	580,872	-	580,872
As at December 31, 2023	580,872	-	580,872

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12. SUBSEQUENT EVENTS

Prospectus offering

On November 20, 2023 the Company filed a Preliminary Prospectus with the securities regulatory authorities in Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Prince Edward Island, and Saskatchewan, in connection with a public offering (the "Offering") of common shares in the capital of CEBI (the "Shares").

The Offering is subject to a number of conditions, including, without limitation, receipt of all regulatory approvals, including approval of the TSX-V. The Company's agent has been engaged to sell the Shares on a best efforts basis and there can be no assurance that the minimum gross proceeds will be raised.

On January 17, 2024, the Company announced that, in connection with the Offering, Integral Wealth Securities Limited has agreed to use commercially reasonable efforts to market the Offering and to sell 20,000,000 to 25,000,000 common shares in the capital of the Company at a price of \$0.20 (post-consolidation common share) for aggregate proceeds of no less than \$4,000,000 and up to \$5,000,000.

Debenture note amendments

On January 29, 2024, the Company executed definitive amendment agreements with the Debenture note holders 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 eBuyNow eCommerce Ltd., (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.