

Consolidated Financial Statements of

Purebread Brands Inc.

(Formerly Coho Collective Kitchens Inc.)

For the years ended March 31, 2024 and 2023

(Expressed in Canadian dollars)



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Independent Auditor's Report

To the Shareholders of Purebread Brands Inc.

Opinion

We have audited the consolidated financial statements of Purebread Brands Inc. (formerly Coho Collective Kitchens Inc.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2024 and 2023 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that for the year ended March 31, 2024 the Company has incurred a net loss of \$7,675,457 and current liabilities exceed current assets by \$15,085,720. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Acquisition of Purebread Bakery Inc.

Description of the key audit matter

The Company acquired Purebread Bakery as at Sep 20, 2023. Through the application of IFRS 3, management determined that control existed and therefore the acquisition should be accounted for using the acquisition method of accounting. Due to assumptions made to calculate the fair value of the consideration paid, acquired assets (including goodwill and intangible assets) and assumed liabilities, there is a risk associated with management's judgements and estimates made in the business combination. While there were several estimates made by management, the estimates with the greatest measurement uncertainty for the acquisition were forecasted revenue, EBITDA, and discount rates in the valuation of intangible assets. We have therefore considered this a Key Audit Matter due to the judgment



involved in accounting for the transaction and with respect to the estimation uncertainty related to fair value assessments. Please refer to Notes 3(m), 4, and 5 of the consolidated financial statements for the Company's accounting policy, significant judgments and estimates applied, and details regarding the acquisition transaction.

How the key audit matter was addressed.

Our audit procedures included, but were not limited to, the following:

- Obtaining and reviewing management's analysis of the accounting treatment in accordance with IFRS 3, and corroborating the facts therein to supporting evidence;
- Obtaining an understanding of the business rationale for the acquisition transaction and performing a detailed review of the relevant transaction documents to understand the terms, facts and circumstances related to the acquisition transaction;
- Involving our valuation professionals with specialized skills and knowledge in evaluating the assumptions and inputs applied in the purchase price allocation;
- Assessing management's purchase price allocation, including applied valuation methodology, significant estimates adopted, and consideration of the reliability of future oriented cash flow forecasts; and
- Reviewing the adequacy of the disclosures in the consolidated financial statements, including disclosures related to significant judgments and estimates.

Other Information

Management is responsible for the other information. The other information comprises the information, included in the Management Discussion and Analysis of Financial Condition and Results of Operations for the year ended March 31, 2024.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Discussion and Analysis of Financial Condition and Results of Operations for the year ended March 31, 2024 prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
August 1, 2024

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)
Consolidated Statements of Financial Position

	Note	As at March 31, 2024	As at March 31, 2023
ASSETS			
Current			
Cash		\$ -	\$ 249,737
Receivables		145,691	206,807
Inventory	5	165,171	-
Prepaid expenses – current portion		1,139,380	254,020
		<u>1,450,242</u>	<u>710,564</u>
Non-current			
Prepaid expenses		994,954	356,588
Property and equipment	7	5,073,602	4,718,007
Right-of-use assets	8	10,434,731	7,206,455
Goodwill	5	6,987,016	-
Intangible assets	5,6	4,618,924	-
TOTAL ASSETS		\$ 29,559,469	\$ 12,991,614
LIABILITIES			
Current			
Bank indebtedness		116,401	-
Trade payables and accrued liabilities	19	4,440,560	2,241,801
Customer deposits	15	346,195	206,119
Equipment deposit	16	399,908	-
Deferred revenue		75,084	35,780
Lease obligation – current portion	8	924,073	584,394
Loans from shareholders	14	109,312	54,728
Other loans – current portion	17	4,197,438	2,250,062
Promissory notes	18	533,000	-
Derivative liability	20	64,578	-
Term Facility	21	5,146,940	-
Acquisition earn-out – current portion	5	182,473	-
		<u>16,535,962</u>	<u>5,372,884</u>
Non-current			
Lease obligation	8	10,976,082	7,696,927
Other loans	17	255,744	1,231,926
Convertible debentures	19	1,902,180	-
Vendor take-back note	22	1,500,000	-
Acquisition earn-out	5	537,380	-
Deferred income tax liability	23	1,155,921	-
TOTAL LIABILITIES		32,863,269	14,301,737
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	9	19,465,497	14,916,334
Other reserves	9,10	2,324,719	1,217,102
Subscriptions received in advance	9	25,000	-
Deficit		(25,119,016)	(17,443,559)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		(3,303,800)	(1,310,123)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 29,559,469	\$ 12,991,614

Nature of operations and going concern (Note 1)
Subsequent events (Note 25)

Approved by the Directors:

“Andrew Barnes”
Andrew Barnes, Director

“Amrit Maharaj”
Amrit Maharaj, Director

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

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Consolidated Statements of Loss and Comprehensive Loss

	Note	For the year ended March 31, 2024	For the year ended March 31, 2023
REVENUE			
Rental	24	\$ 2,673,469	\$ 1,726,639
Retail	24	7,944,230	824,440
TOTAL REVENUE		10,617,699	2,551,079
COST OF SALES (RETAIL)	24	3,637,451	344,120
GROSS PROFIT		6,980,248	2,206,959
OPERATING EXPENSES			
Advertising and promotion		52,397	129,219
Amortization	6,7,8	1,906,638	1,327,197
Accretion	17,19	268,022	47,779
Bad debt expense		52,602	34,451
Interest	8,17,18, 19,21,22	2,160,536	904,519
Occupancy cost		2,176,976	830,923
Office and miscellaneous		602,009	234,434
Professional fees		2,104,116	1,265,372
Salaries and benefits	14	3,981,509	2,854,928
Share-based compensation	5,10,14	768,996	288,914
Subcontractor		105,106	70,888
Supplies		557,213	332,080
TOTAL OPERATING EXPENSES		14,736,120	8,320,704
NET OPERATING LOSS		\$ (7,755,872)	\$ (6,113,745)
OTHER ITEMS			
Gain on derecognition of right-of-use asset and lease obligation	8	7,627	42,427
Loss on derecognition of property and equipment	7	(81,614)	-
Gain on forgiveness of loan		12,000	-
Gain on write off of trade payables		41,992	-
LOSS BEFORE INCOME TAX		(7,775,867)	(6,071,318)
Income tax expense	23	(99,036)	-
Deferred tax recovery	23	199,446	-
NET LOSS AND COMPREHENSIVE LOSS		\$ (7,675,457)	\$ (6,071,318)
NET LOSS PER SHARE – BASIC AND DILUTED	11	\$(0.08)	\$(0.07)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED	11	100,837,160	81,037,460

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

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)
Consolidated Statements of Changes in Shareholders' Equity (Deficit)

	Number of shares	Share Capital	Other Reserves	Subscriptions Received in Advance	Deficit	Total Shareholders' Equity (Deficit)
Balance at March 31, 2022	67,351,224	\$ 10,657,401	\$ 715,986	\$ -	(11,372,241)	\$ 1,146
Shares issued on initial public offering net of share issuance costs (Note 8)	16,666,670	4,471,135	-	-	-	4,471,135
Shares issued as agent's commission on initial public offering (Note 9)	167,148	(50,144)	50,144	-	-	-
Shares issued as corporate finance fee (Note 9)	100,000	(30,000)	30,000	-	-	-
Compensation warrants issued as finder's fees on initial public offering (Note 9)	-	(132,058)	132,058	-	-	-
Share-based compensation (Note 10)	-	-	288,914	-	-	288,914
Net loss and comprehensive loss for the year	-	-	-	-	(6,071,318)	(6,071,318)
Balance at March 31, 2023	84,285,042	\$ 14,916,334	\$ 1,217,102	\$ -	(17,443,559)	\$ (1,310,123)
Shares issued on private placement net of share issuance costs (Note 9)	26,445,186	4,266,608	-	-	-	4,266,608
Shares issued as finder's fees on private placement (Note 9)	945,181	(160,681)	160,681	-	-	-
Shares issued as corporate finance fee (Note 9)	294,118	(50,000)	50,000	-	-	-
Compensation warrants issued as finder's fees on private placement (Note 9)	-	(36,682)	36,682	-	-	-
Agent warrants issued as finder's fees on private placement (Note 9)	-	(131,904)	131,904	-	-	-
Subscriptions received in advance (Note 9)	-	-	-	25,000	-	25,000
Shares issued for acquisition of Purebread Bakery (Note 5,9)	1,000,000	180,000	-	-	-	180,000
Shares issued as finder's fees on acquisition of Purebread Bakery (Note 5,9)	2,500,000	425,000	-	-	-	425,000
Finder's warrants issued as finder's fees on acquisition of Purebread Bakery (Note 5,10)	-	-	91,537	-	-	91,537
Shares issued for vested restricted share units (Note 9)	285,750	52,121	(52,121)	-	-	-
Restricted share units granted on acquisition of Purebread Bakery (Note 5, 10)	-	-	94,918	-	-	94,918
Shares issued for exercise of options (Note 9)	28,125	4,701	(1,607)	-	-	3,094
Equity component of convertible debentures (Note 19)	-	-	309,792	-	-	309,792
Share-based compensation (Note 5,10)	-	-	252,459	-	-	252,459
Interest-free loans (Note 17)	-	-	33,372	-	-	33,372
Net loss and comprehensive loss for the year	-	-	-	-	(7,675,457)	(7,675,457)
Balance at March 31, 2024	115,783,402	\$ 19,465,497	\$ 2,324,719	\$ 25,000	(25,119,016)	\$ (3,303,800)

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

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Consolidated Statements of Cash Flows

For the years ended March 31, 2024 and 2023

	For the year ended March 31, 2024	For the year ended March 31, 2023
Operating Activities		
Net loss for the year	\$ (7,675,457)	\$ (6,071,318)
Items not involving cash:		
Amortization of property and equipment	822,190	672,023
Amortization of right-of-use assets	1,115,866	655,174
Amortization of intangible assets	5,076	
Accretion of non-interest bearing loans and convertible debentures	268,022	47,779
Interest	1,211,291	667,659
Share-based compensation	768,996	288,914
Gain on forgiveness of loan	(12,000)	-
Gain on write off of trade payables	(41,992)	-
Gain on derecognition of right-of-use asset and lease obligation	(7,627)	(42,427)
Loss on derecognition of property and equipment	81,614	-
Deferred tax recovery	(199,446)	
Changes in working capital and other items:		
Receivables	82,752	(83,523)
Inventory	89,038	-
Prepaid expenses	(1,450,514)	(49,015)
Trade payables and accrued liabilities	1,725,652	716,275
Deferred revenue	39,304	25,762
Customer deposits	140,076	33,921
Net cash used in operating activities	(3,037,159)	(3,138,776)
Investing Activities		
Purchase of property and equipment	(275,914)	(2,087,084)
Payables related to capital expenditures	(295,921)	145,177
Cash paid for acquisition of Purebread Bakery	(8,326,780)	-
Equipment deposit	399,908	-
Net cash used in investing activities	(8,498,707)	(1,941,907)
Financing Activities		
Proceeds from share issuances net of share issuance costs	4,269,702	4,471,135
Loan advances	3,157,317	3,725,800
Loan repayments	(1,542,404)	(1,077,600)
Promissory note advances	500,000	(646,043)
Promissory note repayments	(3,000)	-
Term facility advances	5,500,000	-
Term facility repayments	(621,752)	-
Lease obligation	(1,709,639)	(1,220,114)
Shareholder advances (repayments)	54,584	(34,254)
Proceeds from convertible debentures	1,530,223	-
Subscriptions received in advance	25,000	-
Net cash provided by financing activities	11,160,031	5,218,924
Effect of foreign exchange on cash	9,697	-
Increase (decrease) in cash (bank indebtedness) during the year	(366,138)	138,241
Cash, beginning of year	249,737	111,496
Cash (bank indebtedness), end of year	\$ (116,401)	\$ 249,737

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

Supplemental Cash Flow Information

Non-Cash Transactions

Shares issued as commission on private placement	\$	(160,681)	\$	-
Shares issued as corporate finance fee on private placement		(50,000)		-
Compensation warrants issued as finder's fees on private placement		(36,682)		-
Agent warrants issued as finder's fees on private placement		(131,904)		-
Shares issued for acquisition of Purebread Bakery		180,000		-
Vendor take-back note issued for acquisition of Purebread Bakery		1,500,000		-
Restricted share units granted for acquisition of Purebread Bakery		(94,918)		-
Equity component of convertible debentures		(309,792)		-
Derivative liability component of convertible debentures		(64,578)		-
Reclassification of other loans to convertible debentures		650,000		-
Interest-free loans		(33,372)		-
Transfer from reserves to share capital upon vesting of restricted share units		52,121		-
Transfer from reserves to share capital upon exercise of stock options		1,607		-
Shares issued as commission on initial public offering		-		(50,144)
Shares issued as corporate finance fee on initial public offering		-		(30,000)
Compensation warrants issued as finder's fees on initial public offering		-		(132,058)

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

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

1. NATURE OF OPERATIONS AND GOING CONCERN

Purebread Brands Inc. (formerly Coho Collective Kitchens Inc.) (the “Company”) was incorporated on June 7, 2019 under the *Business Corporations Act* of British Columbia. The Company’s principal business activities are the provision of Commercial Commissary Kitchens and rental of these kitchens to food based businesses in Canada. Subsequent to September 20, 2023, the Company’s principal business activities include the operations of Purebread Bakery Inc. (“Purebread Bakery”), which currently runs eight bakery and café locations across British Columbia. The Company’s registered office is at 2900-550 Burrard Street Vancouver, BC V6C 0A3.

On May 22, 2024, the Company changed its name to Purebread Brands Inc. and on May 24, 2024 commenced trading on the TSX Venture Exchange (“TSXV”) under the ticker symbol “BRED”.

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company is able to meet its commitments, realize its assets and discharge its liabilities through its normal course of business.

The Company’s ability to meet its financial obligations depends on a number of factors, some of which are beyond its control. These include general global economic, credit and capital market conditions, and the demand for and selling price of its services. There is no assurance that the expected cash flows from operations and the other steps being taken will allow the Company to meet its obligations as they become due.

The Company may not generate sufficient funds from operations to meet all of its financial obligations and may need to generate funds from other sources to do so. Rapidly changing global economic conditions make access to the credit and capital markets difficult for the Company, which may compromise its ability to obtain suitable financing.

The Company’s existing financial obligations will constrain its capital spending and that may have an adverse effect on its operations. The Company’s debt levels will also limit its ability to expand its operations or make other investments that would enhance its competitiveness.

Accordingly, there is a risk that the steps described above will not be successful in allowing the Company to meet its obligations, which may require the Company to sell core assets or raise debt or equity capital. However, these actions may have a material adverse effect on the Company’s business and on the market prices of its equity securities.

If the Company is unable to generate positive cash flow or obtain adequate financing, the Company would need to reduce operations. The Company has not yet generated positive income or cash flows from operations. For the year ended March 31, 2024, the Company had a net loss of \$7,675,457 and negative cash flows from operations of \$3,037,159. At March 31, 2024, the Company’s current liabilities exceeded its current assets by \$15,085,720. These factors indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon the Company’s ability to achieve profitable operations, the ability to obtain debt or equity financing, and the cooperation of existing debt holders. The Company has been successful of obtaining funding in the past but there is no assurance that it will be successful in obtaining future funding. Failure to continue as a going concern would require that Company’s assets and liabilities be restated on a liquidation basis which could differ materially from the going concern basis.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value. The consolidated financial statements are presented in Canadian dollars and all financial amounts, other than per-share amounts, are rounded to the nearest dollar. The functional currency of the Company and its subsidiaries is the Canadian dollar.

The preparation of these consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The Company's board of directors approved the release of these consolidated financial statements on August 1, 2024.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies set up below have been applied consistently to all the periods presented in these financial statements unless otherwise indicated.

a. Basis of consolidation

These consolidated financial statements include the accounts of the Company and the following subsidiaries:

ENTITY	REGISTERED	HOLDING
Coho Commissary Inc.	British Columbia	100%
Coho Creekside Commissary Inc.	British Columbia	100%
The Block at Coho Collective Kitchens Inc.	British Columbia	100%
Café Coho Inc.	British Columbia	100%
Sunshine by Coho Collective Kitchens Inc.	British Columbia	100%
Richmond by Coho Collective Kitchens Inc.	British Columbia	100%
Phantom Kitchen Inc.	British Columbia	100%
Victoria by Coho Collective Kitchens Inc.	British Columbia	100%
Coho Acquisition Corp. ⁽¹⁾	British Columbia	100%
Purebread Bakery ⁽²⁾	British Columbia	100%

⁽¹⁾ Coho Acquisition Corp. was incorporated on May 26, 2023.

⁽²⁾ Purebread Bakery was acquired on September 20, 2023 and is a wholly owned subsidiary of Coho Acquisition Corp. (Note 5).

The subsidiaries are controlled by the Company. Control exists when the Company is exposed, or has rights, to the variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

b. Revenue Recognition

Commercial commissary kitchen rental revenue:

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'Revenue'. The Company typically satisfies its performance obligations overtime and uses time-based measure of progress because the Company is providing a series of distinct services that are substantially the same and have the same pattern of transfer.

For arrangements containing lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

Under IFRS 15, revenue is recognized when control of a good or service transfers to a customer.

The Company typically satisfies its performance obligation over time and uses time-based measures of progress because the Company is providing a series of distinct services that are substantially the same and have the same pattern of transfer.

Retail revenue:

Retail revenue from restaurants is recognized when the product is collected by the customer and payment is received at the restaurant.

c. Prepaid expenses

Prepaid expenses consists of amounts prepaid for services to be rendered and lease security deposits.

d. Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is recognized in the consolidated statement of loss and comprehensive loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the pattern of consumption of future economic benefits embodied in the asset. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and is recognized net within other income in the consolidated statement of loss and comprehensive loss.

The estimated useful lives for property and equipment are as follows:

Furniture and equipment	3 to 10 years
Software	3 years
Leasehold Improvements	Lesser of the useful life of the leaseholds or the term of the lease
Right-of-use assets	Term of the lease

e. Intangible assets

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

Intangible assets acquired as part of a business combination are recorded at its fair value at the acquisition date, if the asset is separable and the fair value can be measured reliably on initial recognition. Separately acquired intangible assets are initially recorded at cost and therefore are carried at cost less accumulated amortization and impairment, if any.

For all intangible assets other than goodwill and indefinite life intangibles, amortization is charged from the date the assets is available for use, and the rates used are those that most closely reflect the expected pattern of consumption of the future economic benefits embodied in the assets. Amortization methods, useful lives, and residual value are reviewed each financial reporting period and adjusted if appropriate. The customer relationship is amortized using the straight-line method with an amortization period of 10 years. The brand is not amortized as it is an indefinite life intangible asset.

f. Financial instruments

The following table shows the classification under IFRS 9:

Financial asset/liability	Classification under IFRS 9
Cash	FVTPL
Receivables	Amortized cost
Acquisition receivable	Amortized cost
Bank indebtedness	FVTPL
Trade payables and accrued liabilities	Amortized cost
Customer deposits	Amortized cost
Equipment deposit	Amortized cost
Loans from shareholders	Amortized cost
Other loans	Amortized cost
Promissory notes	Amortized cost
Derivative liability	FVTPL
Convertible debentures	Amortized cost
Term Facility	Amortized cost
Vendor take-back note	Amortized cost
Acquisition earn-out	FVTPL

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the profit or loss in the period in which they arise.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Impairment of financial assets

IFRS 9 requires the use of a new three-stage expected credit loss model for calculating impairment for financial assets and does not require a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods, if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in profit or loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Financial liabilities at FVTPL

This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Financial liabilities at amortized cost

This category consists of liabilities carried at amortized cost using the effective interest method. These financial liabilities are initially recognized at fair value less directly attributable transaction costs.

Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition of financial liabilities are recognized in profit or loss. For a non substantial modification any gain or loss is recognized equal to the difference between the present value of the cashflows under the original and modified terms at the original effective interest rate.

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

LEVEL 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

LEVEL 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

LEVEL 3 – Applies to assets or liabilities for which there are unobservable market data.

The carrying value of cash, receivables, bank indebtedness, trade payables and accrued liabilities, customer deposits, equipment deposit, loans from shareholders, other loans – current portion and promissory notes approximate their fair value because of the short-term nature of these instruments or their ability to undergo prompt liquidation.

The fair value of the acquisition earn-out liability was determined using a discounted cashflow approach using a discount rate of 17%. A 1% change in the discount rate results in a \$14,315 change to the acquisition earn-out liability. A 5% change in the total estimate revenues results in a \$24,684 change to the acquisition earn-out liability.

f. Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. However, for the leases of land and buildings, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

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

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- a) fixed payments, including in-substance fixed payments, less any lease incentives receivable;

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

-
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
 - c) amounts expected to be payable under a residual value guarantee;
 - d) exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
 - e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

g. Income taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities where the Company subsidiaries and associates operate and generate income. The calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current tax for current and prior periods is recognized as a liability (asset) to the extent that it is unpaid (refundable).

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if:

- there is a legally enforceable right to offset current tax liabilities against current tax assets;
- they relate to income taxes levied by the same tax authority on the same taxable entity; or
- they relate to income taxes levied by the same tax authority on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

h. Impairment of Non-Financial Assets

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing values in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

With the exception of goodwill, when an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss.

For assets that do not generate largely independent cash inflows, which is comprised of intangible assets of the Company, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset of CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset of CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

i. Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net income (loss) (the numerator) by the weighted average number of outstanding shares for the period (denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments.

In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. Therefore, basic and diluted loss per share is the same. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company's shares for the period will be dilutive.

j. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

k. Share-based compensation

The fair value method of accounting is used for share-based compensation. Under this method, the cost of stock options and other equity-settled share-based compensation arrangements are recorded based on the date of grant estimated fair market value of each tranche using the Black-Scholes Option Pricing Model, and charged to earnings over the vesting period. Compensation expense is recognized over the tranche's vesting period by increasing reserves based on the number of awards expected to vest. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on non-market vesting conditions. It recognizes the impact of the revision of original estimates, if any, in the statement of loss and comprehensive loss, with the corresponding adjustment to equity. The reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to share capital.

Share-based compensation in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based compensation transactions and measured at the fair

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

value of goods and services received. If the fair value of the goods or services received cannot be estimated reliably, the share-based compensation transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services.

I. Convertible debentures

For convertible debentures that were determined to be compound instruments, comprising a financial liability (debt obligation) and an equity component (conversion option), the debt obligation is recognized at fair value by discounting the principal balance by the borrowing rate for a similar instrument without the conversion feature. Using the residual method, the carrying amount of the conversion option represents the difference between the principal amount and the discounted debt obligation.

For convertible debentures comprising a financial liability (debt obligation) and a derivative (conversion option), the derivative is recognized at fair value by using the Black-Sholes Option Pricing Model. Using the residual method, the carrying amount of the debt obligation represents the difference between the principal amount and the derivative value.

The convertible debentures, net of the conversion option, is accreted to the principal balance using the effective interest rate method over the term of the convertible debentures, such that the carrying amount of the debt obligation will equal the principal balance at maturity.

Upon exercise of the convertible debentures, the conversion option and the carrying value of debt obligation is reclassified to share capital. Transaction costs are allocated on a pro-rata basis between the debt obligation and the conversion option. Where the conversion option is a derivative, the transaction costs are expensed.

m. Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets of an acquired business. The Company measures goodwill as the fair value of the consideration transferred less the fair value of the identifiable assets acquired, and liabilities assumed, all measured as at the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

n. New standards, interpretations and amendments adopted during the year

The Company has adopted the following new standards and interpretations, along with any consequential amendments effective April 1, 2023:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);

Definition of Accounting Estimates (Amendments to IAS 8);

Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);

IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current); and

IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

The Company has adopted IAS 1, IAS 8 and IAS 12 amendments, the adoption of these amendments does not have a significant impact on the Company. Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

The following amendments are effective for the year beginning April 1, 2026:

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

IFRS 18 Presentation and Disclosures in Financial Statements

The Company has assessed the impact of these new accounting standards and amendments. The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, the Company makes estimates and assumptions concerning the future that affected the amounts recorded. Actual results could differ from these estimates. Estimate and assumptions are based on historical experience, expectations of future events and other factors considered by management to be reasonable. The estimates and assumptions that could result in a material impact to the carrying amounts of assets and liabilities are outlined below:

Property and equipment

Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Determination of lease obligation

The recognition of lease obligations include estimates for incremental borrowing rates, lease terms and variable lease payments. In assessing the lease term the Company considers significant leaseholds improvements undertaken, the rates for extension option periods, the costs of lease termination, and the importance of the lease to the operation. These are based on management's best estimate and in this regard may be significantly different from those determined based on future operational results.

Recognition and valuation of deferred tax assets

The recognition of deferred taxes is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of estimation and judgement regarding the future financial performance or the timing of the reverse deferred tax liabilities where deferred tax assets have been recognized.

Revenue recognition

Rental revenue is measured at the fair value of the consideration received or receivable, net of estimated discounts. The Company considered the terms of the sales contract as well as industry practices, taking into consideration the type of customer, the nature of the transaction and the specific circumstances of each arrangement.

Share-based compensation

The Company measures the cost of share-based compensation transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based compensation, including warrants and performance warrants issued in private placements, requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected term, volatility, and forfeiture rate. The expected term is determined based on management's estimate of the period of time between grant date and exercise date. Volatility is determined using a comparable peer group until such time as sufficient trading history is available for the Company's own shares.

Leases

As a lessee: At inception of a contract, the Company assesses whether a contract is, or contains, a lease. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative fair values. However, for the leases of land and

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term equipment leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

As a lessor: The Company determines at the inception of the lease whether the lease is an operating or finance lease. To classify each lease, the company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to the ownership of the underlying asset. If this is the case the lease is considered as finance lease; if not, then it is an operating lease.

Other loans, convertible debentures

The Company issues other loans and convertible debentures which may be comprised of embedded derivatives, debt, and equity components. In determining the fair value of the Company's other loans and convertible debentures on the date of issuance, and at the date of the consolidated statement of financial position, management uses internally developed models. This method requires the input of a number of assumptions including estimated market rate of interest. These assumptions are determined using management's best estimates and involve inherent uncertainties.

Business combination

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. Refer to Note 5.

Goodwill impairment testing and recoverability of non-financial assets

Goodwill and indefinite life intangible asset impairment testing requires management to make estimates in the impairment testing model. On an annual basis, the Company tests whether goodwill and indefinite life intangible assets are impaired. The recoverable value is determined using discounted future cash flow models, which incorporate estimates regarding future events, specifically future cash flows, growth rates and discount rates. The Company uses judgment in determining the grouping of assets to identify its cash-generating units ("CGUs") for purposes of testing for impairment. Management has determined that the Company's operations represent two CGUs. In testing for impairment, goodwill acquired in a business combination is allocated to the group of CGUs that are expected to benefit from the synergies of the business combination, which involves judgement.

Use of judgements

The preparation of financial statements in accordance with IFRS requires the Company to make judgements as noted above, apart from those involving estimates, in applying accounting policies.

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

5. BUSINESS COMBINATIONS

On September 20, 2023, Coho Acquisition Corp., a wholly owned subsidiary of the Company, acquired 100% of the issued and outstanding shares of Purebread Bakery (the "Acquisition"). The Acquisition met the definition of a business per IFRS 3, Business Combinations and therefore was accounted for under IFRS 3. Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. The Acquisition expanded the Company's scope of services to the Vancouver food industry. Goodwill is attributable to the workforce of the acquired business as well as the expected opportunities for growth. The goodwill is deductible for tax purposes.

For the period from September 20, 2023 to March 31, 2024, \$6,990,166 of revenue and \$438,773 of net income related to Purebread Bakery have been included in consolidated earnings. If the Acquisition had occurred on April 1, 2023, \$13,219,744 of revenue and \$829,804 of net income would have been incurred by the Company.

The following table summarizes the recognized amounts of assets acquired, liabilities assumed and consideration paid, at the date of acquisition:

Consideration paid:

Cash paid	\$	8,337,154
Vendor take-back note issued (Note 22)		1,500,000
Legal fees incurred on behalf of Vendors		49,491
1,000,000 common shares issued at \$0.18 per share (Note 9)		180,000
1,000,000 restricted share units granted (Note 10)		94,918
Fair value of earn-out ⁽¹⁾		794,286
Total	\$	10,995,849

Net assets acquired:

Cash	\$	59,865
Receivables		21,636
Inventory		254,209
Prepaid expenses		73,212
Property and equipment		983,485
Right-of-use assets		4,244,399
Goodwill		6,987,016
Intangible assets (Note 6)		4,624,000
Trade payables and accrued liabilities		(629,292)
Lease obligation		(4,244,399)
Other loans		(62,915)
Deferred income tax liability		(1,355,367)
Total		10,955,849

⁽¹⁾ In connection with the Acquisition, the Company agreed to pay the vendors of Purebread Bakery (the "Vendors") an earn-out for an aggregate of seven percent (7%) of monthly revenues, net of discounts, credits and other chargebacks, but gross of rent and other operating costs, generated from Purebread Bakery Vancouver International Airport location. The earn-out is paid monthly over a period of 48 months, commencing on the first day of each calendar month following September 20, 2023. As at the date of the Acquisition, the earn-out was treated as

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

contingent consideration, measured at a fair value of \$794,286 at a discount rate of 17.0% in the consolidated statement of financial position. The fair value of the contingent consideration will be assessed for remeasurement at each reporting period end until the earn-out period expires. As at March 31, 2024, the fair value of the earn-out was \$719,853 (March 31, 2023 - \$nil), of which \$182,473 was current (March 31, 2023 - \$nil).

In connection with the Acquisition, the Company also paid a finder's fee to the Agent on September 20, 2023. The finder's fee consisted of 2,500,000 common shares with a fair value of \$91,537 (Note 9) and 2,500,000 common share purchase warrants ("Finder's Warrants") with a fair value of \$425,000 (Note 10). The fair value of the common shares and Finder's Warrants were recorded to share-based compensation. Each Finder's Warrant entitles the holder to purchase one common share at an exercise price of \$0.40 until September 20, 2026.

6. INTANGIBLE ASSETS

	Customer Relationship	Brand	Total
Cost			
Balance as at March 31, 2022 and 2023	\$ -	\$ -	\$ -
Additions (Note 5)	96,000	4,528,000	4,624,000
Balance as at March 31, 2024	96,000	4,528,000	4,264,000
Accumulated Amortization			
Balance as at March 31, 2022 and 2023	\$ -	\$ -	\$ -
Depreciation expense	5,076	-	5,076
Balance as at March 31, 2024	5,076	-	5,076
Net Book Value as at March 31, 2024	\$ 90,924	\$ 4,528,000	\$ 4,618,924
Net Book Value as at March 31, 2023	\$ -	\$ -	\$ -

The brand was determined to have an indefinite life as it is expected to contribute to cashflows indefinitely. The goodwill and the brand are part of the retail bakery CGU.

At acquisition, goodwill and intangible assets are allocated to the cash generating unit ("CGU") expected to benefit from the synergies of the business combinations in which the goodwill and intangible assets arise. The Company has determined that goodwill, the brand and customer relationship are pertaining to Purebread Bakery (retail bakery CGU). Goodwill, the brand, and customer relationship are subject to impairment testing on an annual basis. The annual impairment test date is March 31, 2024. For the year ended March 31, 2024, the recoverable amounts of goodwill, the brand, and customer relationship were determined using the discounted cash flow (DCF) method. The DCF method involves estimating future cash inflows and outflows that are expected to be derived from the asset and discounting them at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The key assumptions used in the DCF calculations for the impairment testing of goodwill, the brand, and customer relationship as at March 31, 2024, were as follows:

- Discount Rate: 17.1%
- Cash Flow Projections: Based on management's approved budgets and forecasts covering a period of 3 years. Cash flows beyond the 3-year period have been extrapolated using a steady growth rate of 3%, which does not exceed the long-term average growth rate for the industry.

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

Based on the impairment test performed, the recoverable amount exceeded the carrying value as at March 31, 2024.

7. PROPERTY AND EQUIPMENT

	Software	Furniture and Equipment	Leasehold Improvements	Total
Cost				
Balance as at March 31, 2022	\$ 86,598	\$ 625,011	\$ 2,875,286	\$ 3,586,895
Additions	-	433,645	2,068,333	2,501,978
Balance as at March 31, 2023	86,598	1,058,656	4,943,619	6,088,873
Additions	-	147,320	128,594	275,914
Additions from acquisition (Note 5)	-	123,947	859,538	983,485
Derecognition of property and equipment	-	-	(134,757)	(134,757)
Balance as at March 31, 2024	86,598	1,329,923	5,796,994	7,213,515
Accumulated Amortization				
Balance as at March 31, 2022	9,346	272,559	416,938	698,843
Depreciation expense	28,866	238,657	404,500	672,023
Balance as at March 31, 2023	38,212	511,216	821,438	1,370,866
Depreciation expense	28,866	235,119	558,205	822,190
Derecognition of property and equipment	-	-	(53,143)	(53,143)
Balance as at March 31, 2024	67,078	746,335	1,326,500	2,139,913
Net Book Value as at March 31, 2024	\$ 19,520	\$ 583,588	\$ 4,470,494	\$ 5,073,602
Net Book Value as at March 31, 2023	\$ 48,386	\$ 547,440	\$ 4,122,181	\$ 4,718,007

Furniture and equipment are included in the leased space to the Company's customers.

8. LEASES

As at March 31, 2024 the Company had lease arrangements with various lease agreements for its commercial kitchens. Fair value of the right-of-use assets and lease obligations were determined by discounting future lease payments at incremental borrowing rates which averaged 9%, applicable on date of acquisition.

The summary of the Company's right-of-use asset and lease liabilities are as follows:

Right-of-use assets

Cost	
Balance as at March 31, 2022	\$ 4,278,478
Additions	4,463,164
Derecognition of right-of-use asset	(335,206)
Balance as at March 31, 2023	8,406,436
Additions	4,463,742
Derecognition of right-of-use asset	(304,436)
Balance as at March 31, 2024	\$ 12,565,742
Accumulated Amortization	
Balance as at March 31, 2022	\$ 754,311
Amortization	655,174
Derecognition of right-of-use asset	(209,504)
Balance as at March 31, 2023	1,199,981

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

Amortization		1,115,866
Derecognition of right-of-use asset		(184,836)
Balance as at March 31, 2024		2,131,011
Net Book Value as at March 31, 2024	\$	10,434,731
Net Book Value as at March 31, 2023	\$	7,206,455

Lease Obligation

Balance as at March 31, 2022	\$	4,123,847
Additions – premises and equipment		4,878,058
Interest expense		667,659
Lease payments		(1,220,114)
Derecognition of lease obligation		(168,129)
Balance as at March 31, 2023		8,281,321
Additions – premises		4,549,095
Interest expense		906,599
Lease payments		(1,709,639)
Derecognition of lease obligation		(127,221)
Balance as at March 31, 2024		11,900,155
Current portion of lease liabilities		(924,073)
Non-current portion of lease liabilities	\$	10,976,082

The Company has elected not to recognize right-of-use assets for leases that have a term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments with these leases as an expense on a straight-line basis over the lease term.

The variable rental payments that were expensed and not included in the measurement of right-of-use assets and lease obligations during the year ended March 31, 2024 was \$955,576 (March 31, 2023 - \$501,320).

Right-of-use assets includes right-of-use premises only. Right-of-use equipment and vehicles are included in property and equipment (Note 7). As at March 31, 2024, \$296,966 of leased equipment and vehicles was included in property and equipment (March 31, 2023 - \$399,424).

As at March 31, 2024, the future minimum lease payments under non-cancellable lease agreements were payable as follows:

		March 31, 2024
Less than 1 year	\$	1,916,234
Between 1 and 3 years		7,122,368
More than 3 years		9,362,765
Total	\$	18,401,367

9. SHARE CAPITAL

Authorized

The Company may issue unlimited common voting shares without par value.

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

Issued

	March 31, 2024	March 31, 2023
115,783,402 Common shares (March 31, 2023 – 84,285,042)	\$ 19,465,497	\$ 14,916,334

During the year ended March 31, 2024:

On September 20, 2023, the Company issued 26,445,186 units of the Company at a price of \$0.17 per unit by way of a private placement for gross proceeds of \$4,495,682. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.25 per warrant share for a period of 36 months. Using the residual value method, the value assigned to the warrants attached to the units was \$nil. In connection with the private placement, the Company paid and granted to the Agent the following amounts:

- A commission equal to 8% of the gross proceeds, of which \$118,974 was paid in cash and 945,181 common shares with a fair value of \$160,681 were issued;
- Compensation warrants with a value of \$36,682 to purchase up to 619,649 common shares at \$0.25 until September 20, 2026;
- Agent warrants with a value of \$131,904 to purchase up to 1,645,027 units at \$0.17 until September 20, 2026;
- A corporate finance fee of \$100,000, of which \$50,000 was paid in cash and 294,118 common shares with a fair value of \$50,000 were issued; and,
- Reimbursement of \$90,100 for certain customary expenses incurred.

A \$30,000 retainer was returned to the Company in connection with the private placement.

On September 20, 2023, the Company issued 1,000,000 common shares at \$0.18 per share as consideration and 2,500,000 common shares at \$0.17 per share to the Agent in connection with the Acquisition (Note 5).

During the year ended March 31, 2024, 285,750 common shares were issued upon the vesting of 285,750 restricted share units (Note 10) and 28,125 common shares were issued upon the exercise of 28,125 stock options at an exercise price of \$0.11 for proceeds of \$3,094 (Note 10). \$52,121 was transferred from reserves to share capital upon the vesting of these restricted share units and \$1,607 was transferred from reserves to share capital upon the exercise of these stock options.

As at March 31, 2024, the Company received \$25,000 in proceeds from a subscriber before common shares were issued.

During the year ended March 31, 2023:

On June 9, 2022, the Company consummated its Initial Public Offering (“IPO”) of 16,666,670 common shares at \$0.30 per common share (the “Offering Price”), for aggregate gross proceeds of \$5,000,001. In connection with the IPO, the Company paid and granted to the Agent the following amounts:

- A commission equal to 8% of the gross proceeds, of which \$349,839 was paid in cash and 167,148 common shares with a fair value of \$50,144 were issued;
- Compensation warrants to purchase up to 1,333,333 common shares at the Offering Price until June 9, 2024;

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

- Additional compensation warrants to purchase up to 66,186 common shares with a fair value of \$132,058 were issued at the Offering Price until June 9, 2024 as a result of over-allotments satisfied by purchases in the market;
- A corporate finance fee of \$100,000, of which \$70,000 was paid in cash and 100,000 common shares with a fair value of \$30,000 were issued; and,
- Reimbursement of \$20,500 for certain customary expenses incurred.

The Company also paid legal fees of \$118,493 and a \$30,000 retainer was returned to the Company in connection with the IPO. The Company incurred bank fees of \$34 in connection with the IPO.

10. OTHER RESERVES

The summary of the Company's other reserves is as follows:

	Stock options (a)	Restricted share units (b)	Warrants (c)	Other	Total
Balance at March 31, 2022	\$ 315,935	\$ -	\$ 353,750	\$ 46,301	\$ 715,986
Share-based compensation	106,448	182,466	-	-	288,914
Compensation warrants (Note 9)	-	-	132,058	-	132,058
Share issuance costs (Note 9)	-	-	-	80,144	80,144
Balance at March 31, 2023	\$ 422,383	\$ 182,466	\$ 485,808	\$ 126,445	\$ 1,217,102
Share-based compensation	78,401	174,058	-	-	252,459
RSUs granted on acquisition of Purebread Bakery (Note 5)	-	94,918	-	-	94,918
Finder's warrants (Note 5)	-	-	91,537	-	91,537
Compensation warrants (Note 9)	-	-	36,682	-	36,682
Agent warrants (Note 9)	-	-	131,904	-	131,904
Share issuance costs (Note 9)	-	-	-	210,681	210,681
Exercise of options (Note 9)	(1,607)	-	-	-	(1,607)
Vested RSUs (Note 9)	-	(52,121)	-	-	(52,121)
Convertible debentures (Note 19)	-	-	-	309,792	309,792
Interest-free loans (Note 17)	-	-	-	33,372	33,372
Balance at March 31, 2024	\$ 499,177	\$ 399,321	\$ 745,931	\$ 680,290	\$ 2,324,719

a) Stock Options

The Company has established an Omnibus plan (the "Plan") whereby the Company's Board of Directors may from time to time grant stock options to employees and non-employees. Stock options under the Plan have been granted to directors, officers, consultants and certain employees of the Company. Stock options granted under the Plan will not have a term to exceed 10 years from the date of grant. The maximum number of shares that may be reserved for issuance under the Plan shall not exceed 10% of the Company's outstanding common shares. Vesting is determined by the Board of Directors.

The continuity of the Company's stock options is as follows:

	Number outstanding	Weighted average exercise price
Outstanding at March 31, 2022	3,987,500	\$ 0.32
Granted	1,062,500	0.17
Forfeited	(900,000)	0.26

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

Outstanding at March 31, 2023	4,150,000	\$	0.29
Exercisable at March 31, 2023	2,321,875	\$	0.32
Granted	2,180,000		0.17
Exercised	(28,125)		0.11
Forfeited	(746,875)		0.26
Outstanding at March 31, 2024	5,555,000	\$	0.25
Exercisable at March 31, 2024	2,953,125	\$	0.30

As at March 31, 2024, the Company had a total of 5,555,000 stock options outstanding under the Plan to certain directors, officers, consultants and employees of the Company. Each stock option entitles the holder to purchase one common share at an exercise price of \$0.11 to \$0.50 for a period of five years following the grant date.

The weighted average exercise price per option granted in the year ended March 31, 2024 was \$0.17 (March 31, 2023 – \$0.17). In determining the amount of share-based compensation, the Company used the Black Scholes Option Pricing model to establish the fair value of stock options granted during the years ended March 31, 2024 and 2023 by applying the following weighted average assumptions:

	March 31, 2024	March 31, 2023
Risk-free interest rate	3.32%	2.83%
Expected life of options (years)	5	5
Expected annualized volatility	65%	58%
Expected dividend yield	Nil	Nil

Volatility was estimated by using the historical prices of comparable publicly-listed companies. The expected life in years represents the period of time that the stock options granted are expected to be outstanding. The risk-free rate was based on the zero-coupon Canada government bonds with a remaining term equal to the expected life of the stock option. The weighted average fair value of the options granted during the year ended March 31, 2024 was \$0.07 per option (March 31, 2023 – \$0.09 per option).

The number of options outstanding and exercisable under the Plan at March 31, 2024 is as follows:

Expiry date	Number of stock options outstanding	Exercise price	Number of stock options exercisable
March 25, 2026	1,425,000	\$ 0.30	1,425,000
March 25, 2026	100,000	0.50	100,000
August 1, 2026	25,000	0.30	18,750
August 11, 2026	462,500	0.30	350,000
August 16, 2026	50,000	0.30	50,000
October 14, 2026	75,000	0.30	56,250
December 1, 2026	87,500	0.30	65,625
January 1, 2027	275,000	0.40	275,000
March 11, 2027	300,000	0.40	150,000
August 15, 2027	400,000	0.21	400,000
February 6, 2028	250,500	0.11	62,500
December 7, 2028	1,917,500	0.17	-
February 8, 2029	187,500	0.17	-
Balance at March 31, 2024	5,555,000	\$ 0.25	2,953,125

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Consolidated Statements of Cash Flows

For the years ended March 31, 2024 and 2023

b) Restricted share units

As part of the Plan, the Company's Board of Directors may from time to time grant restricted share units ("RSUs") to employees and non-employees. Once vested, each RSU represents the right to receive one common share of the Company, or a cash payment or a combination of cash and shares as determined by the Plan administrator in its discretion. The table below summarizes the Company's RSU activity by date of grant, number of RSUs granted, RSU receiving party, RSU vesting schedule, RSU forfeiture details, and RSU vested and common shares issued details:

Date of Grant	# of RSUs Granted	RSU Receiving Party	RSU Vesting Schedule	RSU Forfeiture Details	RSUs Vested and Common Shares Issued Details
August 15, 2022	1,872,500	Consultants and Employees	- 1,510,000 RSUs vested on August 15, 2023 - 362,500 RSUs will vest in 4 equal installments over 4 years beginning August 15, 2023	- 462,500 RSUs forfeited during the year ended March 31, 2023 - 31,250 RSUs forfeited during the year ended March 31, 2024	1,181,875 RSUs vested during the year ended March 31, 2024 (174,375 common shares issued, 1,007,500 deferred)
November 1, 2022	62,500	Officer	62,500 RSUs vested on November 1, 2023	Nil	62,500 RSUs vested during the year ended March 31, 2024 (62,500 common shares issued)
December 1, 2022	165,000	Employees	- 63,750 RSUs vested on December 1, 2023 - 41,250 RSUs will vest on December 1, 2024 - 41,250 RSUs will vest on December 1, 2025 - 18,750 RSUs will vest on December 1, 2026	90,000 RSUs forfeited during the year ended March 31, 2023	18,750 RSUs vested during the year ended March 31, 2024 (18,750 common shares issued)
February 6, 2023	624,500	Directors, Employees, and Consultant	- 178,875 RSUs will vest on February 6, 2024 - 155,625 RSUs will vest on February 6, 2025 - 155,625 RSUs will vest on February 6, 2026 - 134,375 RSUs will vest on February 6, 2027	- 85,000 RSUs forfeited during the year ended March 31, 2023 - 259,375 RSUs forfeited during the year ended March 31, 2024	92,625 RSUs vested during the year ended March 31, 2024 (30,125 common shares issued, 62,500 deferred)
September 20, 2023 (Note 5)	1,000,000	Consultants	All RSUs will vest on September 20, 2024	Nil	Remaining RSUs not yet vested
December 7, 2023	1,125,000	Directors, Employees, and Consultants	- 475,000 RSUs will vest on December 7, 2024 - 325,000 RSUs will vest on December 7, 2025 - 325,000 RSUs will vest on December 7, 2026	75,000 RSUs forfeited during the year ended March 31, 2024	Remaining RSUs not yet vested
February 7, 2024	187,500	Directors	187,500 RSUs will vest in 3 equal installments over 3 years, beginning on February 8, 2025	Nil	Remaining RSUs not yet vested
March 1, 2024 (Note 17)	250,000	Lender	250,000 RSUs will fully vest on March 1, 2025	Nil	Remaining RSUs not yet vested

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Consolidated Statements of Cash Flows

For the years ended March 31, 2024 and 2023

The continuity of the Company's RSUs is as follows:

	Number outstanding
Outstanding at March 31, 2022	-
Granted	2,724,500
Forfeited	(637,500)
Outstanding at March 31, 2023	2,087,000
Granted	2,562,500
Vested and shares issued	(285,750)
Forfeited	(365,625)
Outstanding at March 31, 2024	3,998,125

The estimated fair value of the RSUs granted during the year ended March 31, 2024 was \$406,875 (March 31, 2023 – \$496,045) and will be recognized as an expense over the vesting period of the RSUs. The fair value of the RSUs as at the grant date was determined with reference to the market value of the common shares of the Company at the grant date.

Total share-based compensation as a result of RSU grants during the year ended March 31, 2024 was \$174,058 (March 31, 2023 – \$182,466).

c) Warrants

On June 9, 2022, the Company issued 1,399,519 warrants in connection with the consummation of its IPO. Each warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.30 at any time until June 9, 2024. Subsequent to March 31, 2024, 1,399,519 of these warrants expired unexercised.

On September 20, 2023, the Company issued 15,487,266 warrants in connection with a private placement.

- 13,842,239 of the warrants entitles the holder to purchase one common share at an exercise price of \$0.25 until September 20, 2026; and
- 1,645,027 of the warrants entitles the holder to purchase one unit at an exercise price of \$0.17 until September 20, 2026. Each unit consists of one common share and one half of one warrant. Each whole warrant is exercisable for one common share at an exercise price of \$0.25 for a period of 36 months following the date of issuance.

On September 20, 2023, the Company issued 2,500,000 Finder's Warrants in connection with the Acquisition (Note 5). Each Finder's Warrant entitles the holder to purchase one common share at an exercise price of \$0.40 until September 20, 2026.

The fair value of the warrants issued during the year ended March 31, 2024 and 2023 was estimated using the Black Scholes Option Pricing model and the following weighted average assumptions:

	March 31, 2024	March 31, 2023
Risk-free interest rate	3.96%	0.21%
Expected life of warrants (years)	3	2
Expected annualized volatility	59%	57%
Expected dividend yield	Nil	Nil

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

The continuity of the Company's warrants is as follows:

	Number outstanding	Weighted average exercise price
Outstanding at March 31, 2022	7,820,730	\$ 0.47
Granted	1,399,519	0.30
Expired	(7,820,730)	0.47
Outstanding at March 31, 2023	1,399,519	\$ 0.30
Granted	17,987,266	0.26
Outstanding at March 31, 2024	19,386,785	\$ 0.27

The number of warrants outstanding and exercisable as at March 31, 2024 is as follows:

	Issued	Outstanding	Exercise price	Expiry date
Compensation Warrants	1,399,519 ⁽¹⁾	1,399,519	\$ 0.30	June 9, 2024
Compensation Warrants	619,649	619,649	0.25	September 20, 2026
Private Placement Warrants	13,222,590	13,222,590	0.25	September 20, 2026
Finder's Warrants	2,500,000	2,500,000	0.40	September 20, 2026
Agent Warrants	1,645,027	1,645,027	0.17	September 20, 2026
Balance at March 31, 2024	19,386,785	19,386,785	\$ 0.27	

11. BASIC AND DILUTED NET LOSS PER SHARE

	March 31, 2024	March 31, 2023
Basic and diluted net loss per share	\$ (0.08)	\$ (0.07)
- Losses used in calculation of net loss per share	\$ (7,675,457)	\$ (6,071,318)
- Weighted average number of common shares used as the denominator in calculating basic and diluted net loss per share	100,837,160	81,037,460

The Company's stock options, RSUS, and warrants were excluded from the determination of diluted loss per share because the effect is anti-dilutive.

12. CAPITAL DISCLOSURES

As at March 31, 2024, the Company's capital structure is comprised of shareholders' equity (deficit), other loans, convertible debentures, Term Facility and vendor take-back note totaling \$9,698,502. As at March 31, 2023, the Company's capital structure is comprised of shareholders' equity (deficit) and other loans totaling \$1,149,382. The Company's financial strategy is designed and formulated to maintain a flexible capital structure to allow for the ability to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objectives, when managing its capital, are to maintain adequate levels of funding to support the operations of the Company and to maintain corporate and administrative functions.

The capital structure of the Company is managed to provide sufficient funding for operating activities. Funds are primarily secured through a combination of equity capital raises and debt. The Company's financing and refinancing decisions are made on a specific transaction basis and depend on factors such as its needs, market and economic conditions at the time of transaction. The Company is exposed to externally imposed capital requirements from its Term Facility (Note 21).

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

13. FINANCIAL RISK MANAGEMENT

The Company is exposed to certain financial risks as listed below. There has been no change in the exposure to risk, nor its objectives, policies and process for managing the risk in the year ended March 31, 2024. Disclosures relating to exposure to risks, in particular credit risk, liquidity risk and interest rate risk are provided below.

Credit risk

Credit risk is the risk of unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and receivables. The Company limits its exposure to credit risk with respect to cash by depositing available cash with major regulated financial institutions. The Company's cash is not subject to any external restrictions.

As at March 31, 2024, the Company's receivables were all current. The Company mitigates the risk by performing ongoing credit evaluation of its customers' financial condition. The Company monitors collectability of receivables on an ongoing basis to determine credit risk. As at March 31, 2024 and March 31, 2023, the Company has \$nil in allowance for doubtful accounts.

Liquidity risk

As at March 31, 2024, the Company had bank indebtedness of \$116,401 and other current liabilities of \$16,419,561. The Company expects to finance its operating expenses through cash flow from operations, debt as well as equity financing.

The estimated cash payments due in respect of contractual and legal obligations including debt and interest payments are summarized as follows:

	Maturity			Total
	Within 1 year	1-5 years	Greater than 5 years	
Bank indebtedness	\$ 116,401	\$ -	\$ -	\$ 116,401
Trade payable and accrued liabilities	4,440,560	-	-	4,440,560
Customer deposits	346,195	-	-	346,195
Equipment deposit	-	399,908	-	399,908
Lease obligation	1,916,234	7,122,368	9,362,765	18,401,367
Loans from shareholders	109,312	-	-	109,312
Other loans	4,197,438	255,744	-	4,453,182
Promissory notes	533,000	-	-	533,000
Convertible debentures	-	2,079,915	-	2,079,915
Term Facility	5,146,940	-	-	5,146,940
Vendor take-back note	-	1,500,000	-	1,500,000
	\$ 16,806,080	\$ 11,357,935	\$ 9,362,765	\$ 37,526,780

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company continuously monitors interest rates and economic conditions. At March 31, 2024, the Company is exposed to interest rate risk regarding its variable rate loans (Notes 17 and 21) with outstanding balances totaling \$6,744,598. A 1% change in the interest rate on the loans would have a pre-tax impact of \$67,446 on net loss and comprehensive loss for the year.

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

14. RELATED PARTY TRANSACTIONS

a. Loans from shareholders

As at March 31, 2024, the Company had loans due to the Company's CEO of \$3,380 (March 31, 2023 - \$19,062), due to the Company's COO and a company controlled by the COO of \$81,932 (March 31, 2023 - \$35,666), and due to the Company's CMO of \$24,000 (March 31, 2023 - \$nil). The loans are unsecured, non-interest bearing and due on demand.

b. Salaries and fees paid to key management personnel

For the year ended March 31, 2024, the Company recorded \$475,125 (March 31, 2023 - \$502,345) in key management compensation to the Company's CEO, COO, CFO, CMO, and former CCO.

c. Share-based compensation to related parties

As at March 31, 2024, 1,387,500 stock options granted to the Company's directors were outstanding. Each stock option entitles the holder to purchase one common share at an exercise price between \$0.11 and \$0.50 for a period of five years following the grant date. The fair value of the options granted totaled \$169,652 (March 31, 2023 - \$104,387) of which \$ 31,139 was recognized as share-based compensation during the year ended March 31, 2024 (March 31, 2023 - \$34,135).

15. CUSTOMER DEPOSITS

At inception of a contract, a commissary customer is required to pay a deposit. One-half of each deposit is applied to the first month rent of the term; and the remainder of the deposit is kept as security for the underlying contract and is refundable at the end of the term. The contracts are short-term and as such, the deposits are classified as a current liability. Details are as follows:

	March 31, 2024	March 31, 2023
Opening Balance	\$ 206,119	\$ 172,198
Additions (net of refunds)	140,076	33,921
Closing balance	\$ 346,195	\$ 206,119

16. EQUIPMENT DEPOSIT

On September 1, 2023, the Company entered into a facilities management agreement (the "Agreement") with Sodexo Canada ("Sodexo"). Under the Agreement, Sodexo will provide the Company with facilities management services for a period of five years, terminating on August 31, 2028. As part of the "Agreement", Sodexo paid the Company an equipment deposit of \$399,908, to be applied against equipment purchases at the Company's Richmond, BC facility. During the year ended March 31, 2024, the Company did not make any equipment purchases at its Richmond, BC facility. As at March 31, 2024, the balance on the equipment deposit is \$399,908 (March 31, 2023 - \$nil).

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

17. OTHER LOANS

The table and references below summarize the Company's other loan balances and key terms as at and for the years ended March 31, 2024 and 2023:

Loan Ref.	Balance as at March 31, 2024	Balance as at March 31, 2023
a.	\$ -	\$ -
b.	95,093	128,896
c.	-	-
d.	120,000	120,000
e.	284,478	300,921
f.	-	12,000
g.	-	-
h.	-	-
i.	1,089,557	1,300,000
j.	-	800,000
k.	64,800	61,986
l.	-	650,000
m.	-	108,185
n.	89,221	-
o.	503,278	-
p.	53,659	-
q.	524,122	-
r.	23,211	-
s.	246,575	-
t.	515,000	-
u.	426,195	-
v.	101,250	-
w.	60,493	-
x.	256,250	-
	\$ 4,453,182	\$ 3,481,988
Current portion	\$ (4,197,438)	\$ (2,250,062)
Non-current portion	\$ 255,744	\$ 1,231,926

- a. On November 27, 2019, the Company borrowed \$100,000 from a lender bearing an interest rate of 10% and was due on December 10, 2022. The loan was repayable on a monthly basis commencing January 10, 2020. During the year ended March 31, 2024, the Company recorded \$nil (March 31, 2023 - \$1,016) in interest expense relating to the loan. On November 30, 2022, the loan was repaid in full. Immediately prior to repayment, the remaining balance on the loan was \$3,333.
- b. On February 5, 2020, the Company entered into a loan agreement with the Business Development Bank of Canada ("BDC") to borrow up to \$200,000 with a maturity date of November 23, 2026. The loan carries a base interest rate of 10.90% plus the BDC's floating rate which was deemed to be 6.05% at the time of issuance. During the year ended March 31, 2024, the Company recorded \$22,782 (March 31, 2023 - \$20,658) in interest expense in connection to the loan and repaid a total \$56,585 (March 31, 2023 - \$54,372). As at March 31, 2024, the remaining balance due is \$95,093 (March 31, 2023 - \$128,896).

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

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- c. During the year ended December 31, 2020, the Company received an operating loan of \$150,000 from Vancity Credit Union bearing an interest rate of 5.45%. On May 27, 2022, the loan was repaid in full. Immediately prior to repayment, the remaining balance on the loan was \$127,496.
- d. During the year ended December 31, 2020, under the Canada Emergency Business Account (“CEBA”) program, the Company received \$180,000 in loans (the “CEBA Loans”). The CEBA Loans are interest-free loans, available to the Company until January 18, 2024. \$60,000 of the loans are forgivable if repayment is made on or before March 31, 2024. During the year ended December 31, 2020 the Company recognized \$60,000 as other income in relation to the forgivable portion of the loans. The entire portion of the loan remains interest free as long as the Company repays the debt by January 18, 2024 at which time interest of 5% per annum will begin accruing. No interest expense was recorded on the CEBA Loans during the years ended March 31, 2024 and 2023. As at March 31, 2024, the remaining balance due is \$120,000 (March 31, 2023 - \$120,000).
- e. On January 1, 2022, the Company borrowed \$500,000 from consultants, acting at arm’s length. The loans are unsecured and non-interest bearing. The loans are repayable on an annual basis commencing January 10, 2023, and due on January 10, 2027. In the event of a default, a 7% interest rate will apply to the outstanding loan balance. In lieu of interest payments, the consultants received 250,000 stock options. Each stock option entitles the holder to purchase one common share at an exercise price of \$0.40 for a period of five years following the grant date. The Company recorded the debt at its fair value using a rate of 15% and the residual was allocated to the value of the stock options and recorded to Other Reserves. During the year ended March 31, 2024, the Company repaid \$50,000 of the loans (March 31, 2023 - \$90,000). As at March 31, 2024, the carrying value of the loans outstanding was \$284,478 (March 31, 2023 - \$300,921). During the year ended March 31, 2024, the Company recorded \$42,087 (March 31, 2023 - \$47,779) in accretion expense in connection to the non-interest bearing loans.
- f. On April 1, 2022, the Company borrowed \$150,000 from a lender, acting at arm’s length. The loan bore interest at a rate of 16% per annum and was subordinated to the Company’s Vancity and BDC credit facilities. The loan did not begin to accrue interest until June 1, 2022. During the year ended March 31, 2024, the Company recorded \$nil (March 31, 2023 - \$2,000) in interest expense in connection to the loan. On July 12, 2022, the Company repaid \$140,000 of the loan. During the year ended March 31, 2024, the remaining balance due of \$12,000 was forgiven and the Company recorded a gain on forgiveness of loan of \$12,000. As at March 31, 2024, the remaining balance due is \$nil (March 31, 2023 - \$12,000).
- g. On April 8, 2022, the Company borrowed \$500,000 from lenders, acting at arm’s length. On June 9, 2022, the loans were fully repaid. The loans bore interest at a rate of 20% per annum and were subordinated to the Company’s Vancity and BDC credit facilities. During the year ended March 31, 2024, the Company recorded \$nil (March 31, 2023 - \$22,032) in interest expense in connection to the loans.
- h. On May 4, 2022, the Company borrowed \$130,000 from a lender, acting at arm’s length. On June 14, 2022, the loan was fully repaid. The loan bore interest at a rate of 7% per annum and was subordinated to the Company’s Vancity and BDC credit facilities. During the year ended March 31, 2024, the Company recorded \$nil (March 31, 2023 - \$1,022) in interest expense in connection to the loan.
- i. On May 13, 2022, the Company entered into a loan agreement to borrow up to \$1,300,000 (the “Facility”). On May 27, 2022, \$754,920 of the Facility was used to repay the Company’s Vancity Credit Facilities of \$627,424 and operating loan of \$127,496. Coho has the right to repay the Facility at any time before the

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

maturity date, without notice, bonus or penalty. The Facility carries an interest rate of prime +3.00% per annum (compounded monthly, not in advance) and has a term of 18 months. Interest is paid monthly through the interest reserve of \$120,900 that is retained by the provider. During the year ended March 31, 2024, the Company recorded \$205,865 (March 31, 2023 - \$73,883) in interest expense in connection to the Facility. On July 11, 2023, an additional \$288,308 was disbursed to the Company under the Facility. During the year ended March 31, 2024, the Company repaid a total of \$657,600 of the Facility (March 31, 2023 - \$nil). The Facility is guaranteed by certain subsidiaries of the Company and also guaranteed personally by the Company's CEO, COO and CMO. In the event of a default, an interest rate of 18% per annum will apply to the Facility. As at March 31, 2024, the remaining balance due is \$1,089,557 (March 31, 2023 - \$1,300,000).

- j. On October 26, 2022, the Company received \$348,600 in connection with a loan totaling \$800,000 by a lender, acting at arm's length (the "Loan"). On November 25, 2022, the Company received the remaining \$451,400 of the Loan. Interest on the Loan accrues at the rate of 8% per annum and the Company will repay the lender in equal monthly instalments of \$16,200 over a 5-year period. During the year ended March 31, 2024 and 2023, the Company recorded \$nil in interest expense in connection to the Loan. On September 15, 2023, the Loan was fully repaid. As at March 31, 2024, the remaining balance due is \$nil (March 31, 2023 - \$800,000).
- k. On October 31, 2022, the Company borrowed \$60,000 from a lender, acting at arm's length. The loan bears interest at a rate of 8% per annum and is unsecured. During the year ended March 31, 2024, the Company recorded \$2,814 (March 31, 2023 - \$1,986) in interest expense in connection to the loan. As at March 31, 2024, the remaining balance due is \$64,800 (March 31, 2023 - \$61,986).
- l. On January 9, 2023, the Company received \$150,000 in connection with a loan totaling \$1,650,000 from a consultant, acting at arm's length. On March 23, 2023, the Company received \$500,000 of the loan and on May 23, 2023, the Company received the remaining \$1,000,000 of the loan. The loan was unsecured, non-interest bearing, and due on demand. On May 24, 2023, the Company reclassified \$1,650,000 of this loan to convertible debentures (Note 18). During the year ended March 31, 2024, the Company recorded \$nil (March 31, 2023 - \$nil) in interest expense in connection to the loan. As at March 31, 2024, the remaining balance due is \$nil (March 31, 2023 - \$650,000).
- m. On February 1, 2023, the Company borrowed \$135,800 from a lender, acting at arm's length. The loan was unsecured. The loan was repaid daily with 20% of the Company's retail revenue and had due date of August 1, 2024. During the year ended March 31, 2024, the Company made a full repayment of \$40,506 (March 31, 2023 - \$27,615) and the remaining balance due is \$nil (March 31, 2023 - \$108,185).
- n. On July 28, 2023, the Company borrowed \$173,400 from a lender, acting at arm's length. The loan is unsecured and a loan fee of \$20,808 was applied to the principal amount. The loan is repaid daily with 20% of the Company's retail revenue and is due on January 28, 2025. During the year ended March 31, 2024, the Company repaid \$95,712 of the loan (March 31, 2023 - \$nil). As at March 31, 2024, the remaining balance due is \$89,221 (March 31, 2023 - \$nil).
- o. On August 11, 2023, the Company borrowed \$500,000 from a lender, acting at arm's length. The loan bears interest at a rate of 10% per annum, unsecured, and has a maturity date of November 15, 2023. On November 27, 2023, the maturity date was extended to May 1, 2025. During the year ended March 31, 2024, the Company recorded \$32,139 (March 31, 2023 - \$nil) in interest expense in connection to the loan.

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

During the year ended March 31, 2024, the Company repaid \$28,861 of the loan. As at March 31, 2024, the remaining balance due is \$503,278 (March 31, 2023 - \$nil).

- p. On September 20, 2023, in connection to the Acquisition (Note 2), the Company assumed a loan with an outstanding amount of \$61,609 related to the purchase of a delivery vehicle. The loan commenced on May 22, 2022 with a term of 60 months, interest rate at 5% per annum, and repayments paid monthly. The loan is secured against the delivery vehicle. During the year ended March 31, 2024, the Company recorded \$1,014 (March 31, 2023 - \$nil) in interest expense in connection to the loan. During the year ended March 31, 2024, the Company repaid \$6,271 of the loan (March 31, 2023 - \$nil). As at March 31, 2024, the remaining balance due is \$53,659 (March 31, 2023 - \$nil).
- q. On November 8, 2023, the Company borrowed \$500,000 from a lender, acting at arm's length. The loan is unsecured, bears interest at a rate of 12% per annum (compounded monthly), and has a term of 18 months. During the year ended March 31, 2024, the Company recorded \$24,122 (March 31, 2023 - \$nil) in interest expense in connection to the loan. During the year ended March 31, 2024, the Company repaid \$nil of the loan (March 31, 2023 - \$nil). As at March 31, 2024, the remaining balance due is \$524,122 (March 31, 2023 - \$nil).
- r. On December 20, 2023, the Company borrowed \$34,000 from a lender, acting at arm's length. The loan is unsecured and a loan fee of \$4,420 was applied to the principal amount. The loan is repaid daily with 17% of the Company's revenue generated from its e-commerce platform. During the year ended March 31, 2024, the Company repaid \$15,209 of the loan (March 31, 2023 - \$nil). As at March 31, 2024, the remaining balance due is \$23,211 (March 31, 2023 - \$nil).
- s. On December 22, 2023, the Company borrowed \$240,000 from a lender, acting at arm's length. The loan is unsecured, bears interest at a rate of 10% per annum, and has a term of 18 months. During the year ended March 31, 2024, the Company recorded \$6,575 (March 31, 2023 - \$nil) in interest expense in connection to the loan. During the year ended March 31, 2024, the Company repaid \$nil of the loan (March 31, 2023 - \$nil). As at March 31, 2024, the remaining balance due is \$246,575 (March 31, 2023 - \$nil).
- t. On December 22, 2023, the Company borrowed \$500,000 from a lender, acting at arm's length. The loan is secured against common shares issued to the Company's CEO and COO, bears interest at a rate of 3% per month, and has a maturity date of May 1, 2024. During the year ended March 31, 2024, the Company recorded \$45,000 (March 31, 2023 - \$nil) in interest expense in connection to the loan. During the year ended March 31, 2024, the Company repaid \$30,000 of the loan (March 31, 2023 - \$nil). As at March 31, 2024, the remaining balance due is \$515,000 (March 31, 2023 - \$nil).
- u. On February 7, 2024, the Company borrowed \$450,000 from a lender, acting at arm's length. The loan is unsecured, non-interest bearing, and is due on May 7, 2024. In the event of a default, a monthly payment of \$15,000 will apply, in addition to the issuance of 167,000 common shares. The Company recorded the debt at its fair value of \$416,628 using a rate of 14.55% and the residual of \$33,372 was allocated to the value of the interest-free portion and recorded to Other Reserves. During the year ended March 31, 2024, the Company repaid \$nil of the loans (March 31, 2023 - \$nil). As at March 31, 2024, the carrying value of the loans outstanding was \$426,195 (March 31, 2023 - \$nil). During the year ended March 31, 2024, the Company recorded \$9,566 (March 31, 2023 - \$nil) in accretion expense in connection to the non-interest bearing loans.

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

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- v. On February 23, 2024, the Company borrowed \$100,000 from lenders, acting at arm's length. The loan is unsecured, bears interest at a rate of 10% per annum, and has a term of 12 months. During the year ended March 31, 2024, the Company recorded \$1,250 (March 31, 2023 - \$nil) in interest expense in connection to the loan. During the year ended March 31, 2024, the Company repaid \$nil of the loan (March 31, 2023 - \$nil). As at March 31, 2024, the remaining balance due is \$101,250 (March 31, 2023 - \$nil).
 - w. On March 1, 2024, the Company borrowed \$60,000 from a lender, acting at arm's length. The loan is unsecured, bears interest at a rate of 10% per annum, and has a term of one month. During the year ended March 31, 2024, the Company recorded \$493 (March 31, 2023 - \$nil) in interest expense in connection to the loan. During the year ended March 31, 2024, the Company repaid \$nil of the loan (March 31, 2023 - \$nil). As at March 31, 2024, the remaining balance due is \$60,493 (March 31, 2023 - \$nil).
 - x. On March 1, 2024, the Company borrowed \$250,000 from a lender, acting at arm's length. The loan is unsecured, bears interest at a rate of 12% per annum, and has a maturity date of November 1, 2024. In connection with the loan, the Company granted 250,000 RSUs to the lender which will fully vest on March 1, 2025 (Note 10). During the year ended March 31, 2024, the Company recorded a loan fee of \$5,000 (March 31, 2023 - \$nil) and \$1,250 (March 31, 2023 - \$nil) in interest expense in connection to the loan. During the year ended March 31, 2024, the Company repaid \$nil of the loan (March 31, 2023 - \$nil). As at March 31, 2024, the remaining balance due is \$256,250 (March 31, 2023 - \$nil).

18. PROMISSORY NOTES

On January 31, 2024, the Company borrowed a total of \$500,000 via promissory notes from two lenders, acting at arm's length. The promissory notes are secured against common shares issued to the Company's CEO and COO, bears interest at a rate of 36% per annum, and has a maturity date of April 1, 2024. On July 23, 2024, the maturity date of the promissory notes were extended to September 1, 2024. During the year ended March 31, 2024, the Company recorded \$36,000 (March 31, 2023 - \$nil) in interest expense in connection to the promissory notes. During the year ended March 31, 2024, the Company repaid \$3,000 of the promissory notes (March 31, 2023 - \$nil). As at March 31, 2024, the remaining balance due is \$533,000 (March 31, 2023 - \$nil).

19. CONVERTIBLE DEBENTURES

On May 24, 2023, the Company completed a non-brokered private placement for gross proceeds of \$1,650,000 (the "Offering"). The Offering was a non-brokered private placement of 1,650 convertible debentures of the Company (the "CAD Convertible Debentures"), at a price of \$1,000 per CAD Convertible Debenture, for gross proceeds of \$1,650,000. There were no finder, broker, or agent fees payable by the Company in connection with the Offering. The CAD Convertible Debentures bear interest at a rate of 8% per annum, calculated and payable semi-annually in arrears, commencing on June 30, 2023. The CAD Convertible Debentures will mature on March 31, 2026. The principal amount of each CAD Convertible Debenture will be convertible into common shares of the Company at a price of \$0.15 per common share at the option of the holder thereof. At the election of the Company, all interest accrued on the CAD Convertible Debentures may be payable in cash or, subject to approval by the TSXV, common shares issued at the market price (as such term as defined in the policies of the TSXV) at the time of any such settlement.

For accounting purposes, the CAD Convertible Debentures are separated into their liability and equity components by first valuing the liability component. The fair value of the liability component at the time of issue of \$1,340,208, was calculated as the discounted cash flows for the CAD Convertible Debentures assuming a 16.14% discount rate, which was the estimated rate for a similar debenture without a conversion feature. The fair value of the equity

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

component (conversion feature) was determined at the time of issue as the difference between the face value of the CAD Convertible Debentures and the fair value of the liability component, being \$309,792. The liability component will be accreted over the life of the CAD Convertible Debentures. During the year ended March 31, 2024, the Company recorded interest expense of \$113,919 (March 31, 2023 - \$nil) and accretion expense of \$192,751 (March 31, 2023 - \$nil) in connection to the CAD Convertible Debentures. As at March 31, 2024, the remaining balance due is \$1,419,041 (March 31, 2023 - \$nil). As at March 31, 2024, interest payable on the CAD Convertible Debentures is \$113,919 (March 31, 2023 - \$nil) and recorded in trade payables and accrued liabilities.

On December 22, 2023, the Company issued convertible debentures for gross proceeds of \$530,223 (\$400,000 USD) (the "USD Convertible Debentures"). The USD Convertible Debentures bear interest at a rate of 10.5% per annum, calculated and payable quarterly in arrears, commencing on March 22, 2024. The USD Convertible Debentures will mature on December 22, 2025. The principal amount of each USD Convertible Debenture will be convertible into common shares of the Company at a price of \$0.25 per common share at the option of the holder thereof. At the election of the Company, all interest accrued on the USD Convertible Debentures may be payable in cash or, subject to approval by the TSXV, common shares equal to the 20-day volume weighted average price of the Company's common shares for the 20 trading days prior to the payment date of the interest payment.

On issuance, the Company determined the conversion feature of the USD Convertible Debentures was a derivative liability of \$64,569 (Note 20), with the residual of \$465,644 being allocated to the liability component. The liability component will be accreted over the life of the USD Convertible Debentures. During the year ended March 31, 2024, the Company recorded interest expense of \$15,820 (March 31, 2023 - \$nil), accretion expense of \$23,618 (March 31, 2023 - \$nil), and a foreign exchange translation loss of \$9,697 (March 31, 2023 - \$nil) in connection to the USD Convertible Debentures. As at March 31, 2024, the remaining balance due is \$483,139 (March 31, 2023 - \$nil). As at March 31, 2024, interest payable on the USD Convertible Debentures is \$15,820 (March 31, 2023 - \$nil) and recorded in trade payables and accrued liabilities.

20. DERIVATIVE LIABILITY

The following table reflects the continuity of derivative liability from March 31, 2022 to March 31, 2024:

Balance as at March 31, 2022 and 2023	\$ -
On acquisition – December 22, 2023 (Note 19)	64,659
Balance as at March 31, 2024	\$ 64,659

There were no changes in the fair value of the derivative liability as at March 31, 2024.

21. TERM FACILITY

On September 20, 2023, the Company entered into a letter of agreement with the Bank of Montreal ("BMO" or the "Lender"), setting out the terms under which BMO provided a senior secured \$5,500,000 non-revolving term facility (the "Term Facility") to the Company and is repayable on demand. The Term Facility was used to finance a portion of the cash consideration of the Acquisition (Note 5). The Term Facility is secured by a first ranking security interest over all present and after-acquired personal property of Coho Acquisition Corp., which holds all of the issued and outstanding shares of Purebread Bakery. The Term Facility amortizes over an 84-month period, with repayments on a monthly basis. Monthly principal repayments are calculated as a percentage of the original loan amount, based on the following payment schedule:

- Years 1 to 3 – 12.0% annually plus applicable interest and mandatory repayments
- Years 4 to 5 – 15.0% annually plus applicable interest and mandatory repayments

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

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- Year 6 – 16.0% annually plus applicable interest and mandatory repayments
 - Year 7 – 18.0% annually plus applicable interest and mandatory repayments

Interest on the Term Facility is payable monthly in arrears and the interest rate is determined by the ratio of the Company's total funded debt ("TFD") to earnings before interest, taxes, depreciation and amortization ("EBITDA"). At the end of each reporting quarter, the TFD to EBITDA ratio is calculated and agreed upon by the Company and BMO, and the applicable interest rate is determined by an interest rate grid. The interest rate grid is divided into predetermined ranges of the TFD to EBITDA ratio, and provides the applicable interest rate on the Term Facility, calculated as prime plus a margin for the corresponding predetermined range. The interest rate does not exceed BMO prime plus 2.0%.

The Term Facility is subject to a cash flow sweep whereby mandatory repayments are required on an annual basis, calculated as a percentage of free cash flow after debt repayment at the end of each fiscal year. The cash flow sweep remains in effect unless the Company's TFD to EBITDA ratio is reduced to 2.5:1.0 or below.

During the year ended March 31, 2024, the Company recorded \$268,692 (March 31, 2023 - \$nil) in interest expense in connection to the Term Facility, repaid interest of \$228,895 (March 31, 2023 - \$nil), and repaid principal of \$392,857 (March 31, 2023 - \$nil). As at March 31, 2024, the remaining balance due is \$5,146,940 (March 31, 2023 - \$nil).

22. VENDOR TAKE-BACK NOTE

On September 20, 2023, the Company entered into a vendor take-back agreement (the "VTB") to finance a portion of the cash consideration of the Acquisition (Note 5), whereby the Company became indebted to the vendors of Purebread Bakery in the principal sum of \$1,500,000. The VTB is subordinated to the BMO Term Facility and has a maturity date of September 20, 2025. Commencing on September 21, 2023, the VTB bears interest computed on the outstanding daily principal balance of the VTB, payable quarterly, at the rate of:

- a. 10% per annum for 12 months up to September 20, 2024;
- b. 15% per annum for six months up to March 20, 2025; and
- c. 20% per annum for six months up to September 20, 2025.

During the year ended March 31, 2024, the Company recorded \$79,167 (March 31, 2023 - \$nil) in interest expense in connection to the VTB and repaid interest of \$41,667 (March 31, 2023 - \$nil). As at March 31, 2024, the remaining balance due is \$1,500,000 (March 31, 2023 - \$nil).

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

23. INCOME TAXES

	March 31, 2024	March 31, 2023
Net loss before tax	(7,775,867)	(6,071,318)
Statutory tax rate	27%	27%
Income tax recovery at statutory tax rate	(2,099,484)	(1,639,255)
Non-deductible expenses	191,797	80,855
Other	(107,709)	(177,908)
Adjustments	(50,310)	-
Change in valuation allowance	1,966,670	1,736,309
Income tax expense	(99,036)	-

The nature and tax effect of the taxable temporary differences giving rise to deferred tax assets are summarized as follows:

For the year ended March 31, 2024	Deferred income tax asset (liability) beginning of year	Acquired business combination	Recognized in earnings	Deferred income tax asset (liability) end of year
Capital assets	\$ 25,763	\$ (1,335,367)	\$ 299,194	\$ (1,030,411)
Right-of-use assets/liabilities	290,214	-	105,451	395,664
Other	181,717	-	84,808	266,525
Non-capital loss carry-forwards	2,441,179	-	1,676,663	4,117,841
Tax benefits not recognized	(2,938,871)	-	(1,966,670)	(4,905,541)
Deferred tax assets (liabilities)	\$ -	\$ (1,335,367)	\$ 199,446	\$(1,155,921)

For the year ended March 31, 2023	Deferred income tax asset (liability) beginning of year	Acquired business combination	Recognized in earnings	Deferred income tax asset (liability) end of year
Capital assets	\$ 131,907	-	\$ (112,144)	\$ 25,763
Right-of-use assets/liabilities	181,893	-	108,321	290,214
Other	25,117	-	156,600	181,717
Non-capital loss carry-forwards	3,145,777	-	(704,598)	2,441,179
Tax benefits not recognized	(3,490,694)	-	551,821	(2,938,873)
Deferred tax assets (liabilities)	\$ -	\$ -	\$ -	\$ -

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

24. SEGMENTED INFORMATION

For management purposes, the Company is organized into operating segments based on its products and services. Two operating segments have been identified. These segments have been aggregated into two reportable segments: rental and retail. The rental segment includes revenue generated from renting out commercial kitchen spaces and providing associated business support services to food entrepreneurs and companies. The retail segment includes revenue generated from the sale of baked goods and other food items at the Company's Purebread Bakery locations.

The Company monitors the results of its operating segments separately for making decisions about resource allocation and performance assessment. Segment performance is evaluated on a number of measures, the most significant being revenue, gross profit and net income (loss) before income tax. Information for the Company's segments for the year ended March 31, 2024, including the reconciliation to income (loss) before income tax, is provided in the following table:

	Rental	Retail	Corporate	Total
REVENUE	\$ 2,673,469	\$ 7,944,230	\$ -	\$ 10,617,699
COST OF SALES	-	3,637,451	-	3,637,451
GROSS PROFIT	2,673,469	4,306,779	-	6,980,248
OPERATING EXPENSES				
Advertising and promotion	7,711	5,741	38,946	52,398
Amortization	1,554,292	347,270	5,076	1,906,638
Accretion	-	-	268,022	268,022
Bad debt expense	-	-	52,602	52,602
Interest	774,531	327,104	1,058,901	2,160,536
Occupancy cost	1,639,650	522,408	14,918	2,176,976
Office and miscellaneous	218,469	235,775	147,765	602,009
Professional fees	11,200	156,436	1,936,480	2,104,116
Salaries and benefits	560,486	2,322,404	1,098,619	3,981,509
Share-based compensation	-	-	768,996	768,996
Subcontractor	14,744	65,392	24,969	105,105
Supplies	296,725	209,239	51,249	557,213
TOTAL OPERATING EXPENSES	5,077,808	4,191,769	5,466,543	14,736,120
NET OPERATING INCOME (LOSS)	\$ (2,404,339)	\$ 115,010	\$ (5,466,543)	\$ (7,755,872)
OTHER ITEMS				
Gain on derecognition of right-of-use asset and lease obligation	-	-	7,627	7,627
Loss on derecognition of property and equipment	-	-	(81,614)	(81,614)
Gain on forgiveness of loan	-	-	12,000	12,000
Gain on write off of trade payables	-	-	41,992	41,992
INCOME (LOSS) BEFORE INCOME TAX	(2,404,339)	115,010	(5,486,538)	(7,775,867)
Income tax expense	-	(99,036)	-	(99,036)
Deferred tax recovery	-	199,446	-	199,446
NET INCOME (LOSS) AND COMPREHENSIVE LOSS	\$ (2,404,339)	\$ 215,420	\$ (5,486,538)	(7,675,457)

PUREBREAD BRANDS INC. (FORMERLY COHO COLLECTIVE KITCHENS INC.)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

25. SUBSEQUENT EVENTS

- a. On April 8, 2024, the Company announced its intention to undergo a significant transformation in its corporate identity by changing its parent company name to Purebread Brands Inc. and its ticker symbol to “BRED” (Note 1). This strategic decision reflects the Company’s evolution following the acquisition of Purebread Bakery in September 2023. On May 22, 2024 the Company completed its name change and its common shares commenced trading under the ticker symbol “BRED” on the TSXV on May 24, 2024.

- b. On May 30, 2024, the Company announced the opening of its eighth Purebread Bakery location in Vancouver, BC, located at 1846 West 4th Avenue, with the premises rentable area totaling 2,330 square feet. Operations and the lease commenced on June 1, 2024. The term of the lease is for a period of five years (the “Initial Term”), expiring on May 31, 2029, with an option to extend the term of the lease an additional five years. Annual base rent for the Initial Term of the lease is \$80 per square foot.