

CE Brands Inc.
Condensed Interim Financial Statements
For the three months ended May 31, 2019
(unaudited)

CE Brands Inc.
Condensed Interim Statement of Financial Position
As at

	May 31, 2019 <i>(Unaudited)</i>	February 28, 2019 <i>(Audited)</i>
Assets		
Current		
Cash (Note 5)	\$ 564,955	\$ 132,135
Deferred financing costs (Note 6)	-	59,380
Total assets	\$ 564,955	\$ 191,515
Liabilities		
Current		
Accounts payable and accruals	\$ 34,251	\$ 11,515
Total liabilities	\$ 34,251	\$ 11,515
Shareholders' Equity		
Share capital (Note 7)	\$ 503,866	\$ 180,000
Contributed surplus (Note 7)	100,491	-
Deficit	(73,653)	-
Total shareholders' equity	530,704	180,000
Total liabilities and shareholders' equity	\$ 564,955	\$ 191,515

Approved on behalf of the Board

"signed" David Henderson

Director

"signed" Brian Prokop

Director

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

CE Brands Inc.
Condensed Interim Statement of Comprehensive Loss
For the three months ended May 31, 2019

Expenses		
General and administrative	\$	2,500
Share-based compensation (Note 7)		71,153
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Comprehensive loss	\$	73,653
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Basic and diluted earnings per share		(0.02)
Weighted average common shares outstanding		4,469,565

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

CE Brands Inc.
Condensed Interim Statement of Changes in Shareholders' Equity
For the three months ended May 31, 2019

	Share Capital (\$)	Contributed Surplus (\$)	Deficit (\$)	Shareholders' Equity (\$)
As at February 28, 2019	180,000	-	-	180,000
Net loss	-	-	(73,653)	(73,653)
Share issuance net of costs (Note 7)	353,204	-	-	353,204
Share-based compensation (Note 7)	-	71,153	-	71,153
Warrants (Note 7)	(29,338)	29,338	-	-
As at May 31, 2019	503,866	100,491	(73,653)	530,704

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

CE Brands Inc.
Condensed Interim Statement of Cash Flows
For the three months ended May 31, 2019

Cash provided by the following activities:

Operating activities

Net loss	\$	(73,653)
Items not affecting cash:		
Share-based compensation (Note 7)		71,153
Change in non-cash working capital:		
Accounts payable and accruals		22,736
Deferred financing costs (Note 6)		59,380
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Cash flows provided by operating activities	\$	79,616

Financing activities

Issuance of common shares, net (Note 7)	\$	353,204
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Cash flows provided by financing activities		353,204
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Increase in cash		432,820
Cash, beginning of period		132,135
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Cash, end of period	\$	564,955

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

CE Brands Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended May 31, 2019

1. Incorporation and operations

CE Brands Inc. (the "Company") was incorporated on October 15, 2018, by Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (Alberta). The Company is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules.

The head office and registered office of the Company is located at 1400, 350 7th Ave SW, Calgary, Alberta, T2P 3N9.

On May 15, 2019, the Company completed an initial public offering (the "IPO") of 5,000,000 common shares, at a price of \$0.10 per common share, for gross proceeds of \$500,000. The Company's common shares commenced trading on the Exchange on May 23, 2019, under the symbol CEBI.P.

Where an acquisition or participation in a transaction is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing.

There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company's common shares from trading.

2. Basis of preparation

Statement of compliance

The condensed interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") in effect at March 1, 2019. These condensed interim financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the period ended February 28, 2019.

Basis of measurement

These condensed interim financial statements are stated in Canadian dollars which is the Company's functional currency and were prepared on a going concern basis, under the historical cost convention except for certain financial instruments that have been measured at fair value.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

3. Significant accounting policies

These condensed interim consolidated financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as the annual financial statements for the period ended February 28, 2019.

CE Brands Inc.
Notes to the Condensed Interim Financial Statements

For the three months ended May 31, 2019

4. Significant accounting estimates and assumptions

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

Estimates

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the condensed interim financial statements are:

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Judgements

The key areas of judgment that have a significant risk of causing material adjustment to the amounts recognized in the condensed interim financial statements are:

Taxes

The Company recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available to utilize the Company's deductible temporary differences which are based on management's judgement on the degree of future taxable profits. To the extent that future taxable profits differ significantly from the estimates impacts the amount of the deferred tax assets management judges is probable.

Financial instruments

The Company is required to classify its various financial instruments into certain categories for the financial instruments' initial and subsequent measurement. This classification is based on management's judgement as to the purpose of the financial instrument and to which category is most applicable.

5. Cash

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds and \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions may apply until completion of a qualifying transaction by the Company as defined under the policies of the Exchange.

6. Deferred financing costs

Deferred financing costs, consisting of professional fees, were incurred for the IPO. Upon the completion of the IPO on May 15, 2019, the deferred financing costs were charged against share capital (Note 7).

CE Brands Inc.
Notes to the Condensed Interim Financial Statements

For the three months ended May 31, 2019

7. Share capital

Authorized:

Unlimited number of voting Common Shares
 Unlimited number of Preferred shares issuable in series

Issued: Common Shares

	Number of Shares	\$
Issued on incorporation	-	-
Issued at \$0.05 per share (i)	3,600,000	180,000
As at February 28, 2019	3,600,000	180,000
Issued at \$0.10 per share, net of share issuance cost (ii)	5,000,000	323,866
As at May 31, 2019	8,600,000	503,866

- (i) All of the common shares issued are held in escrow. 10% of the common shares held in escrow will be released on the issuance of the Final Exchange Bulletin and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release. These common shares, which are considered contingently issuable until the Company completes a qualifying transaction as defined under the policies of the Exchange.
- (ii) On May 15, 2019, the Company completed its IPO by issuing 5,000,000 common shares at \$0.10 per common share for gross proceeds of \$500,000. The Company incurred share issuance costs of \$64,975 and deferred financing costs of \$81,821. In addition, the Company granted 500,000 agent warrants with a value of \$29,338 which have been recorded as share issuance costs.

Stock option plan

The Company has adopted an incentive stock option plan in accordance with the policies of the Exchange (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares. The Stock Option Plan provides that options shall be exercisable for the duration set out in the individual option agreements, which in no event shall exceed ten (10) years from the date such options are granted. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the Exchange.

CE Brands Inc.
Notes to the Condensed Interim Financial Statements

For the three months ended May 31, 2019

7. Share capital (continued)

Stock option plan (continued)

The following is a summary of the changes in the Company's Stock Option Plan during the period:

	Number of options outstanding	Number of options exercisable	Weighted average life	Exercise Price
As at February 28, 2019	-	-	-	-
Granted – May 15, 2019	860,000	860,000	4.96	\$0.10
As at May 31, 2019	860,000	860,000	4.96	\$0.10

For the three-months ended May 31, 2019, the Company recorded share-based compensation expense of \$71,153 related to the issuance of options. The stock options granted vested immediately and have a five year life. The fair value of each option grant was estimated as at the grant date using the Black-Scholes option pricing model with the following assumptions:

	May 31, 2019
Risk-free interest rate	1.54%
Expected term of options	5 years
Volatility	120%
Stock price	\$0.10
Fair value per option	\$0.08

Warrants

	Number of warrants outstanding	Value	Weighted average life	Exercise Price
As at February 28, 2019	-	-	-	-
Granted – May 15, 2019	500,000	29,338	1.96	\$0.10
As at May 31, 2019	500,000	29,338	1.96	\$0.10

For the three-months ended May 31, 2019, the Company recorded share issuance cost of \$29,338 related to the issuance of agent warrants. The agent warrants granted vested immediately and have a two year life. The fair value of each agent warrant granted was estimated as at the grant date using the Black-Scholes option pricing model with the following assumptions:

	May 31, 2019
Risk-free interest rate	1.58%
Expected term of options	2 years
Volatility	114%
Stock price	\$0.10
Fair value per option	\$0.06

CE Brands Inc.
Notes to the Condensed Interim Financial Statements

For the three months ended May 31, 2019

8. Capital disclosures

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at period-end.

9. Financial instruments

The Company, as part of its operations, carries financial instruments consisting of cash and accounts payable and accruals. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash is determined on level 1 inputs. The carrying amount of cash and account payable and accruals approximates its fair value due to the short-term maturities of these items.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations and arises from the Company's cash balance. As at May 31, 2019, the Company had \$564,955 (February 28, 2019 – \$132,135) in cash which is being held in trust by the Company's legal counsel. Management has assessed the credit risk as minimal.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at May 31, 2019, the Company had a cash balance of \$564,955 (February 28, 2019 – \$132,135) to pay liabilities of \$34,251 (February 28, 2019 – \$11,515).

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For the three months ended May 31, 2019

9. Financial instruments *(continued)*

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i. Interest rate risk

The Company has no interest-bearing debt.

ii. Foreign currency risk

The Company does not have assets or liabilities held in a foreign currency.

iii. Commodity risk

The Company is not exposed to commodity price risk.