

CE Brands Inc.
Consolidated Financial Statements
*For the year ended February 29, 2020 and the
period from October 15, 2018 (date of incorporation) to February 28, 2019*

Independent Auditor's Report

To the Shareholders of CE Brands Inc.:

Opinion

We have audited the consolidated financial statements of CE Brands Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at February 29, 2020 and February 28, 2019, and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended February 29, 2020 and for the period from October 15, 2019 (date of incorporation) to February 28, 2019, and notes to the consolidated financial statements, including a summary of significant 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 February 29, 2020 and February 28, 2019, and its consolidated financial performance and its consolidated cash flows for the year ended February 29, 2020 and for the period from October 15, 2018 to February 28, 2019 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 audits 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.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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 audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis 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. 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 International Financial Reporting Standards, 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.

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

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.

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

Calgary, Alberta
June 29, 2020

MNP LLP
Chartered Professional Accountants

CE Brands Inc.
Consolidated Statements of Financial Position
As at February 29,

2020 2019

Assets

Current

Cash (Note 6)	\$	267,631	\$	132,135
Deferred financing costs (Notes 1, 7)		35,000		59,380
Total assets	\$	302,631	\$	191,515

Liabilities

Current

Accounts payable and accruals	\$	6,152	\$	11,515
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Shareholders' Equity

Share capital (Note 7)	\$	516,622	\$	180,000
Contributed surplus		100,491		-
Deficit		(320,634)		-
Total shareholders' equity		296,479		180,000
Total liabilities and shareholders' equity	\$	302,631	\$	191,515

Qualifying transaction (Note 1)

Subsequent event (Note 12)

Approved on behalf of the Board of Directors

"signed" David Henderson

Director

"signed" Brian Prokop

Director

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

CE Brands Inc.
Consolidated Statements of Net Loss and Comprehensive Loss
*For the year ended February 29, 2020 and the
period from October 15, 2018 (date of incorporation) to February 28, 2019*

	2020	2019
Expenses		-
Share-based compensation <i>(Note 7)</i>	71,153	-
Professional fees	229,766	-
General and administrative	19,715	-
Net loss and comprehensive loss	\$ (320,634)	\$ -
Net loss per share:		
Basic and diluted	\$ (0.08)	\$ -
Weighted shares outstanding <i>(Note 7)</i>	3,958,904	-

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

CE Brands Inc.
Consolidated Statements of Changes in Shareholders' Equity

	Share Capital (\$)	Contributed Surplus (\$)	Deficit (\$)	Shareholders' Equity (\$)
At incorporation October 15, 2018	-	-	-	-
Net loss	-	-	-	-
Share issuance <i>(Note 7)</i>	180,000	-	-	180,000
As at February 28, 2019	180,000	-	-	180,000
Share issuance, net of costs <i>(Note 7)</i>	365,960	-	-	365,960
Share-based compensation <i>(Note 7)</i>	-	71,153	-	71,153
Agent warrants <i>(Note 7)</i>	(29,338)	29,338	-	-
Net loss	-	-	(320,634)	(320,634)
As at February 29, 2020	516,622	100,491	(320,634)	296,479

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

CE Brands Inc.
Consolidated Statements of Cash Flows

*For the year ended February 29, 2020 and the
period from October 15, 2018 (date of incorporation) to February 28, 2019*

Cash provided by the following activities:	2020	2019
Operating activities		
Net loss	\$ (320,634)	\$ -
Share-based compensation (Note 7)	71,153	-
Change in non-cash working capital:		
Accounts payable and accruals	(5,363)	11,515
Deferred financing costs	11,515	(11,515)
Cash flows used in operating activities	\$ (243,329)	\$ -
Financing activities		
Issuance of common shares (Note 7)	\$ 425,340	\$ 180,000
Financing costs paid	(46,515)	(47,865)
Cash flows provided by financing activities	378,825	132,135
Increase in cash	135,496	132,135
Cash, beginning of year	132,135	-
Cash, end of year	\$ 267,631	\$ 132,135

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

CE Brands Inc.

Notes to the Consolidated Financial Statements

For the year ended February 29, 2020 and the period from October 15, 2018 (date of incorporation) to February 28, 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 Canada Corporations Act. 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, T2P3N9.

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 May 23, 2019, under the symbol CEBI.P.

Where an acquisition or participation 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 shares from trading.

Qualifying transaction

During the year ended February 29, 2020, the Company entered into a non-binding letter of intent in respect of a proposed business combination (the "Transaction") with an unrelated party, eBuyNow eCommerce Ltd. ("EBN") and an equity financing.

As part of the Transaction, it is anticipated that the Company will:

- Complete an offering of securities for gross proceeds of approximately \$10,000,000; and,
- Consolidate all of its issued and outstanding shares on the basis of 10:1.

To affect the Transaction, each shareholder of EBN will receive five common shares, options and warrants of the Company for each EBN common, share option and warrant held. The issuance of the Company's common shares to the shareholders of EBN will result in a reverse takeover of the Company by EBN. In connection with the Transaction, the Company paid \$35,000 retainer to the agent conducting the offering of securities.

The Transaction is subject to shareholder, completion of the equity financing, TSX Venture and other regulatory approvals.

2. Basis of preparation

Statement of compliance

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

These consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on June 29, 2020.

CE Brands Inc.
Notes to the Consolidated Financial Statements

*For the year ended February 29, 2020 and the
period from October 15, 2018 (date of incorporation) to February 28, 2019*

2. Basis of preparation (continued)

Basis of measurement

These consolidated financial statements are stated in Canadian dollars, which is also the functional currency of the Company's and its subsidiary, 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.

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 1233336 B.C. Ltd. The Company has consolidated the assets, liabilities and expenses of its subsidiary after the elimination of inter-company transactions and balances. The subsidiary was incorporated on December 11, 2019 and the principal business is to facilitate the Company's qualifying transaction (Note 1).

Use of estimates and judgments

The preparation of consolidated 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 consolidated 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. Areas where estimates are significant to the consolidated financial statements are disclosed in Note 4.

3. Significant accounting policies

Cash

Cash consists of the proceeds generated from share issuances, which is being held in trust by legal counsel for the Company.

Deferred financing costs

Financing costs related to the Company's proposed financing are recorded as deferred financing costs. These costs will be deferred until the completion of the related financing, at which time the costs will be charged against the proceeds received. If the financing does not close, the costs will be charged to the consolidated statement of net loss and comprehensive loss.

Share-based payments

The Company applies a fair value-based method of accounting to all share-based payments. Employee and director stock options are measured at the fair value of each tranche on the grant date and recognized over its respective vesting period. Non-employee stock options are measured based on the service provided to the reporting date and at their then-current fair values. The cost of stock options is presented as share-based payment expense when applicable with a corresponding credit to contributed surplus. On the exercise of stock options share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

CE Brands Inc.
Notes to the Consolidated Financial Statements

*For the year ended February 29, 2020 and the
period from October 15, 2018 (date of incorporation) to February 28, 2019*

3. Significant accounting policies (continued)

Taxes

Tax expense comprises current and deferred tax. Tax is recognized in the statement of net loss and comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Classification and measurement of financial instruments

The Company measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets, is determined by the context of the Company's business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through profit and loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI").

Amortized cost

The Company classifies its accounts payable and accruals as measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

FVTPL

Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Cash is included in this category.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

CE Brands Inc.

Notes to the Consolidated Financial Statements

For the year ended February 29, 2020 and the period from October 15, 2018 (date of incorporation) to February 28, 2019

3. Significant accounting policies (continued)

Impairment of financial assets

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month expected credit losses ("ECL"): these are ECLs that result from possible default events within the 12 months after the reporting period; and,
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount which approximates the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held). ECL allowances have not been recognized for cash due to the virtual certainty associated with their collectability.

4. Significant accounting estimates and assumptions

The preparation of the consolidated 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 consolidated 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 consolidated 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.

Equity-based compensation

Share-based compensation and warrant valuation is subject to the estimation of the fair value of the award at the date of grant using the Black-Scholes pricing model which is based on significant assumptions such as volatility, dividend yield, expected term and forfeitures.

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.

CE Brands Inc.
Notes to the Consolidated Financial Statements

*For the year ended February 29, 2020 and the
period from October 15, 2018 (date of incorporation) to February 28, 2019*

4. Significant accounting estimates and assumptions (continued)

Judgements

The key areas of judgment that have a significant risk of causing material adjustment to the amounts recognized in the consolidated 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.

Equity-based compensation

Share-based compensation and warrant valuation is subject to the estimation of the fair value of the award at the date of grant using the Black-Scholes pricing model which is based on significant assumptions such as volatility, dividend yield, expected term and forfeitures.

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. New accounting pronouncements

In January 2016, the IASB issued IFRS 16 "Leases" which replaces IAS 17 "Leases". The new standard introduces a single recognition and measurement model for leases, which would require the recognition of assets and liabilities for most leases with a term of more than twelve months. The new standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 "Revenue from Contracts with Customers" at or before the initial adoption date of January 1, 2018. The Company adopted this standard on March 1, 2019 and adoption did not have an impact on the consolidated financial statements as the Company has not entered into any lease agreements.

6. 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.

CE Brands Inc.
Notes to the Consolidated Financial Statements

*For the year ended February 29, 2020 and the
period from October 15, 2018 (date of incorporation) to February 28, 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	336,622
As at February 29, 2020	8,600,000	516,622

- (i) These common shares are held in escrow whereby 10% of the common shares will be released from escrow upon the issuance of the Final Exchange Bulletin and an additional 15% will be released on each six-month anniversary thereafter unless otherwise permitted by the Exchange.

These common shares, which are considered contingently issuable until the Company completes a qualifying transaction as defined under the policies of the Exchange, are not considered to be outstanding for the purpose of the net loss per share calculation.

- (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 Agent was granted 500,000 warrants at a price of \$0.10 per share and expiring of 24 months from the date of closing, May 15, 2019. The fair value of the warrants, as determined by the Black Scholes option pricing model, was \$29,338.

Concurrent with the closing, the Company granted the directors options to acquire 860,000 common shares under the Company's stock option plan at a price of \$0.10 per share with an expiry date of May 15, 2024

Share issuance costs, including the value of the agent warrants and deferred financing costs of \$59,380, totaled \$163,378.

CE Brands Inc.
Notes to the Consolidated Financial Statements

*For the year ended February 29, 2020 and the
period from October 15, 2018 (date of incorporation) to February 28, 2019*

7. Share capital (continued)

Stock option plan

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX Venture (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 TSX Venture.

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

	Number of options outstanding	Number of options exercisable	Weighted average life	Exercise Price
As at February 28, 2019	-	-	-	-
Granted	860,000	860,000	4.21	\$0.10
As at February 28, 2020	860,000	860,000	4.21	\$0.10

For the year ended February 28, 2020, the Company recorded share-based compensation expense of \$71,153 (2019 - \$nil) related to the issuance of options. The stock options granted vested immediately. 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:

Risk-free interest rate	1.54%
Expected term	5 years
Volatility	120%
Stock price	\$0.10
Fair value per option	\$0.08
Forfeiture rate	0%

CE Brands Inc.
Notes to the Consolidated Financial Statements

*For the year ended February 29, 2020 and the
period from October 15, 2018 (date of incorporation) to February 28, 2019*

7. Share capital (continued)

Warrants

	Number of warrants outstanding	Weighted average life	Exercise Price
As at February 28, 2019	-	-	-
Granted – May 15, 2019	500,000	1.21	\$0.10
As at February 28, 2020	500,000	1.21	\$0.10

The fair value of each agent warrant granted was estimated as at the grant date using the following assumptions:

Risk-free interest rate	1.58%
Expected term	2 years
Volatility	114%
Stock price	\$0.10
Fair value per warrant	\$0.06

8. Taxes

The tax recovery differs from the amount that would be computed by applying the expected tax rates to the loss before taxes. The reasons for the difference are as follows:

	2020	2019
Net loss before taxes	\$ (320,634)	\$ -
Statutory tax rate	26.5%	27%
Expected tax recovery	(84,968)	-
Stock-based compensation	18,856	-
Impact of tax rate differences	11,101	-
Share issue costs	(23,957)	-
Tax asset not recognized	78,968	-
Tax recovery	\$ -	\$ -

The statutory tax rate decreased from 27.0% to 26.5% due to a decrease in the provincial tax rate on July 1, 2019.

The Company has gross timing differences related to the following:

	2020	2019
Deferred financing costs	\$ 130,615	\$ 54,793
Non-capital loss carry-forwards	282,245	4,425
Total timing differences	\$ 412,860	\$ 59,218

The Company's estimated non-capital loss carry-forward balance is available to reduce future years' income for tax purposes. These losses, if not fully utilized, will commence to expire in 2039.

No deferred tax asset has been recognized in respect of the temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

CE Brands Inc.

Notes to the Consolidated Financial Statements

For the year ended February 29, 2020 and the period from October 15, 2018 (date of incorporation) to February 28, 2019

9. Related party transactions

Key management personnel consists of officers and directors of the Company. Other than stock options granted to directors, no compensation was paid to key management personnel during the period from incorporation to February 29, 2019 or during the year ended February 28, 2020.

Transactions with related parties are incurred in the normal course of business.

10. 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 year-end.

11. 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 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. The Company believes it has no significant credit risk associated with cash held as it is held in a lawyer's trust account with a major Canadian law firm.

CE Brands Inc.
Notes to the Consolidated Financial Statements

*For the year ended February 29, 2020 and the
period from October 15, 2018 (date of incorporation) to February 28, 2019*

11. Financial instruments *(continued)*

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 February 29, 2020, the Company had a cash balance of \$267,631 to settle liabilities of \$6,152.

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 in foreign currency.

iii. Commodity risk

The Company is not exposed to commodity price risk.

12. Subsequent event

On March 11, 2020, the novel coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organization. This has resulted in significant economic uncertainty and governments worldwide are enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown as this time, as is the effectiveness of interventions by governments and central banks. The full extent of the impact of the Company's future financial results is uncertain given the length and severity of these developments cannot be reliably measured.