

Condensed Interim Consolidated Financial Statements of

CE Brands Inc.

As at and for the three and six months ended September 30,
2022 and 2021 (unaudited)

(expressed in Canadian dollars)

CE Brands Inc.
Condensed Interim Consolidated Statement of Financial Position (unaudited)
As at September 30, 2022 and March 31, 2022

		September 30, 2022	March 31, 2022 (Adjusted-Note 2)
Assets	Note		
Current Assets			
Cash		344,253	715,796
Accounts receivable	4	275,165	765,107
Inventory		3,511,345	2,296,361
Prepaid expenses and deposits		685,346	865,009
		4,816,109	4,642,272
Property, plant and equipment		1,746	69,818
Right of use asset		43,577	62,864
Intangible assets		0	16,191
Goodwill		9,895,143	9,110,415
Total assets		14,756,575	13,901,560
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		4,528,408	3,117,222
Due to related parties	5	349,859	320,767
Current portion of lease liabilities		49,143	45,200
Current portion of long-term debt	6	4,767,934	2,176,430
		9,695,345	5,659,619
Lease liability	6	-	20,877
Long-term debt	6	4,418,181	3,369,651
Total liabilities		14,113,526	9,050,148
Shareholders' Equity (Deficiency)			
Share capital	9	32,588,395	32,511,791
Equity component of convertible debt		1,152,951	1,114,383
Warrants Reserve	10	7,958,228	7,937,022
Contributed surplus		1,938,200	1,955,989
Accumulated other comprehensive income		224,616	(114,572)
Retained deficit		(43,219,340)	(38,553,201)
Total shareholders' equity		643,049	4,851,412
Total Liabilities and Shareholders' Equity		14,756,575	13,901,560

See accompanying notes to the condensed interim consolidated financial statements including Going concern (Note 2) and Commitments (Note 13).

CE Brands Inc.
Condensed Interim Consolidated Statement of Loss and Comprehensive Loss (unaudited)
For the three and six months ended September 30, 2022 and 2021

	Note	For the three-months ended September 30, 2022		For the six-months ended September 30, 2022	
		2022	2021	2022 (Restated-Note 2)	2021
Revenue	7	2,183,127	1,395,170	4,577,824	2,510,313
Cost of products and services		1,668,498	941,499	3,515,675	1,938,911
Gross Profit		514,629	453,672	1,062,149	571,402
Expenses					
Marketing		230,062	263,321	456,835	409,981
Selling and distribution		168,681	157,734	366,468	311,745
Wages and contractors		955,898	1,202,152	2,007,385	2,016,551
Royalties and license fees		408,312	297,889	880,483	421,404
Technology and related		148,979	122,807	287,521	225,554
Legal, accounting and other professional fees		243,329	122,201	516,117	481,065
General and administrative		164,267	194,314	426,623	281,215
Depreciation		45,747	78,750	92,566	140,088
Amortization		5,397	213,034	15,644	456,015
Stock-based compensation		(63,133)	42,685	3,252	74,738
Loss (Gain) on foreign exchange		(134,007)	(117,557)	(224,835)	(144,417)
Operating loss		(1,658,903)	(2,123,659)	(3,765,909)	(4,102,536)
Finance costs	8	(469,913)	13,367	(915,563)	(1,418,858)
Fair value gain/(loss) on financial instruments		-	37,942	-	2,179,389
Listing expense		-	-	-	(1,416,407)
Loss before income tax		(2,128,816)	(2,072,350)	(4,681,473)	(4,758,412)
Income tax expense (recovery)		-	-	(15,334)	-
Net loss		(2,128,816)	(2,072,350)	(4,666,139)	(4,758,412)
Other comprehensive loss for the year					
Gain on translation of foreign operations that may be subsequently reclassified to profit and loss		178,530	62,288	339,188	(7,538)
Comprehensive loss		(1,950,286)	(2,010,062)	(4,326,951)	(4,765,950)
Loss per share	9	(0.08)	(0.09)	(0.18)	(0.23)

See accompanying notes to the condensed interim consolidated financial statements including Going concern (Note 2) and Commitments (Note 13).

CE Brands Inc.
Condensed Interim Consolidated Statement of Changes in Shareholders' Equity (Deficiency) (unaudited)
As at:

	<i>Notes</i>	Share capital	Equity Component of Convertible Debt	Warrants Reserve	Contributed Surplus	Accumulated Deficit	Accumulated other comprehensive Income / (Loss)	Total
Balance at March 31, 2021		\$18,860,572	\$1,009,951	\$3,514,043	\$1,151,221	\$(28,335,419)	\$(133,016)	\$(3,932,647)
Warrants converted to shares	10	380,601						380,601
Consideration transferred to shareholders of CE Brands	3	1,316,445						1,316,445
Shares issued in connection with public offering	3, 9	10,654,849						10,654,849
Warrants issued in connection with public offering	3, 10			4,047,296				4,047,296
Agent options issued in connection with public offering	3, 11				507,572			507,572
CEBI Options issued in reverse acquisition of CE Brands I	11				92,359			92,359
CEBI IPO options issued in reverse acquisition of CE Bran	11				51,103			51,103
Repayment of convertible promissory note	6		(2,744)					(2,744)
Stock-based compensation	11				74,738			74,738
Net Loss						(4,758,412)		(4,758,412)
Comprehensive loss							(7,538)	(7,538)
Balance at Sep 30, 2021		31,212,467	1,007,207	7,561,339	1,876,993	(33,093,831)	(140,554)	8,423,622
Balance at March 31, 2022 (Adjusted- Note 2)		\$32,511,791	\$1,114,383	\$7,937,022	\$1,955,989	\$(38,553,201)	\$(114,572)	\$4,851,412
Options converted to shares	10	76,603			(21,041)			55,563
Equity portion of convertible debt (Net Tax \$15,334)			38,567					38,567
Issuance of warrants	10			21,206				21,206
Equity financing costs	9							-
Stock-based compensation	11				3,252			3,252
Net Loss						(4,666,139)		(4,666,139)
Comprehensive loss							\$339,188	339,188
Balance at Sep 30, 2022		32,588,395	1,152,951	7,958,228	1,938,200	(43,219,340)	224,616	643,049

See accompanying notes to the condensed interim consolidated financial statements including Going concern (Note 2) and Commitments (Note 13).

CE Brands Inc.
Condensed Interim Consolidated Statement of Cash Flows (unaudited)
For the three months ended September 30, 2022 and 2021

	Note	For the six months September 30, 2022 (Restated-Note 2)	For the six months September 30, 2021
Cash provided by (used in):			
Cash flows used in operating activities			
Net loss		\$ (4,666,139)	\$ (4,758,412)
Items not affecting cash:			
Amortization and Depreciation		108,209	596,103
Accretion		107,447	250,510
Stock-based compensation		3,252	74,738
Fair value (gain) loss on warrants obligation		0	(476,955)
Fair value gain on convertible debenture derivatives	6	0	(1,702,434)
Amortization of financing costs	8	325,141	354,438
Gain/Loss on Financial Instruments		0	227,144
Unrealized (gain) loss on foreign exchange		(321,243)	129,213
Deferred tax (recovery)		(15,334)	0
Listing expense		0	1,416,407
Change in non-cash working capital	12	748,378	(4,539,722)
Net cash used in operating activities		(3,710,288)	(8,428,970)
Cash flows from financing activities			
Proceeds from long-term debt		1,000,000	0
Proceeds from future receivables based financing		2,170,039	1,558,724
Proceeds from line of credit		0	14,087
Proceeds from Vesta Loan		1,299,808	0
Repayment of long-term debt		0	(2,100,820)
Repayment of senior secured debentures	6	0	(3,063,114)
Repayment of lease liability		(15,272)	(3,206)
Repayment of factoring		(1,188,558)	(1,763,743)
Repayment of other promissory notes		0	(622,879)
Repayment of line of credit	6	0	(598,445)
Warrants / Options converted to shares	10	55,563	380,601
Cash acquired on reverse acquisition of CE Brands Inc.		0	25,000
Shares issued in connection with public offering, net of share issue costs		0	15,209,718
Net cash provided by financing activities		3,321,579	9,035,923
Effect of change in foreign exchange rates on cash		17,167	2,488
Increase (decrease) in cash		(371,542)	609,441
Cash, beginning of period		715,796	397,337
Cash, end of period		\$ 344,253	\$ 1,006,778

1. Company overview and nature of operations

CE Brands Inc. (“CEBI”) is a public company traded on the TSX-V exchange under the symbol CEBI. The Company’s head office is 585 Bow Valley Square 3, 255 – 5 Avenue SW Calgary, AB T2P 3G6 and the registered address is 301-1321 Blanshard St, Victoria, BC, V8W 0B6. Through the use of sales data analytics, the Company selects growth consumer electronics products for sale through their direct-to-consumer e-commerce platforms via global retail channels in multiple countries.

On June 18, 2021, CE Brands Inc. acquired all of the outstanding shares of eBuyNow eCommerce Ltd. (“EBN”) by way of a three-cornered amalgamation with CE Brands retaining its name. Upon completion, the shareholders of CE Brands held approximately 2% of the issued and outstanding shares of the Company and as a result, EBN shareholders controlled 98% of the Company, resulting in a reverse take-over. The resulting financial statements are presented as a continuance of EBN (accounting acquirer), and comparative figures presented in the consolidated financial statements are those of EBN.

CE Brands Inc. was incorporated in the Province of Alberta on October 15, 2018 under the Business Corporations Act (Alberta).

Reference in these consolidated financial statements to “the Company” refers to EBN and its subsidiaries until June 17, 2021. As of June 18, 2021, “the Company” refers to the consolidated operations of CE Brands Inc. and the historical operations of EBN and its subsidiaries.

2. Basis of presentation, restatement, immaterial error correction, going concern and COVID-19

Basis of presentation

These financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with CEBI’s audited financial statements for the year ended March 31, 2022.

These financial statements have been prepared on a historical cost basis, except derivative financial instruments which are measured at fair value. All accounting policies, methods of computation, estimates and assumptions used in the preparation of these financial statements are consistent with those described in notes 3 and 4 of the Company’s annual consolidated financial statements for the year ended March 31, 2022. These consolidated financial statements were authorized for issue by the board of directors of the Company on November 28, 2022.

Restatement

These condensed interim consolidated financial statements reflect corrections to amounts previously recognized in the condensed interim consolidated financial statements as at and for the three months ended June 30, 2022. The impact of these corrections as of and for the three-month period ended June 30, 2022 is as follows:

CE Brands Inc.
Notes to Condensed Interim Consolidated Financial Statement s (unaudited)
For the three and six months ended September 30, 2022 and 2021

Condensed Interim Consolidated Statement of Loss	For the three months ended June 30, 2022		
	Previously reported	Adjustments	Restated
Expenses			
Professional fees	\$372,788	(\$100,000)	\$272,788
Finance costs	\$598,830	(\$153,180)	\$445,650
Net loss	\$2,790,504	(\$253,180)	\$2,537,324
Basic and diluted- Loss Per Share	(0.11)	0.01	(0.10)

Condensed Interim Consolidated Statement of Financial Position	As at June 30, 2022		
	Previously reported	Adjustments	Restated
Assets			
Prepaid expenses and deposits	\$926,733	\$477,418	\$1,404,151
Liabilities			
<i>Current liabilities</i>			
Accounts payable and accrued liabilities	\$2,633,256	\$1,137,901	\$3,771,157
Current portion of long-term debt	\$4,065,884	(\$936,286)	\$3,129,598
<i>Non-current liabilities</i>			
Long -term debt	\$4,388,830	(\$89,324)	\$4,299,506
Shareholders' Equity (Deficit)			
Equity component of convertible debt	\$1,160,386	(\$6,134)	\$1,154,252
Accumulated Deficit	(\$41,461,786)	\$366,718	(\$41,095,068)

Condensed Interim Consolidated Statement of Cash Flows	For the three months ended June 30, 2022		
	Previously reported	Adjustments	Restated
Net cash used in operating activities	\$2,527,232	(\$925,428)	\$1,601,804
Net cash provided by financing activities	\$2,643,062	(\$925,428)	\$1,717,634

Immaterial error correction

These interim consolidated financial statements reflect a decrease to capitalize accumulated deficit as at March 31, 2022 of \$118,080 as a result of an immaterial correction to the financial statements as at and for the year ended March 31, 2022 resulting in a decrease to finance costs of \$118,080 for the year ended March 31, 2022 (a decrease in basic and diluted loss per share of \$0.01), and a corresponding decrease to accounts payable as at March 31, 2022. Accordingly, the previously reported Accumulated Deficit as at March 31, 2022 of \$38,671,282 has been adjusted to \$38,553,201 and the previously reported Accounts payable and accrued liabilities has been adjusted from \$3,235,303 to \$3,117,222 as at March 31, 2022.

Going Concern

The consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

At September 30, 2022, the Company had not yet achieved profitable operations and incurred a net loss of

\$4,666,139 for the six months ended September 30, 2022 (\$4,758,412 during the prior year six months ended September 30, 2021). At September 30, 2022, the Company had a working capital deficiency of \$4,879,236 which includes a current portion of long-term debt of \$4,767,934 and commitments of \$8,433,031 due in the next 12 months (Note 13).

Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to September 30, 2022 is uncertain. During the six months ended September 30, 2022, the Company entered into a \$1,000,000 private placement of Convertible Notes; a financing arrangement based on future accounts receivable for US\$2,250,000 (CAD \$2,885,850); and a loan facility for US\$2,000,000 (CAD\$2,598,800). These arrangements are described further in Note 6. During the three months ended September 30, 2022 certain convertible founders loans aggregating to \$574,659 matured and were not repaid as described in note 6 to the interim Financial Statements. The Company is negotiating an agreement with the holders of the convertible founders loans to extend the term of these instruments by an additional two years. At November 28, 2022, an agreement has not yet been executed. Management will require additional funds by way of debt or equity issuances to be able to continue to fund its operating, investing and financing activities in the future.

There can be no assurance as to whether the Company will achieve profitable operations, that debt or equity financing will continue to be available or sufficient to meet the Company's requirements or for other corporate purposes or, if debt or equity financing is available, that it will be available on terms acceptable to the Company or at all. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to achieve profitable operations or to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects. These conditions create a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the consolidated financial statements. Such adjustments could be material.

Russia and Ukraine

The geopolitical situation in Eastern Europe intensified in February 2022, with Russia's invasion of Ukraine. The Russian war in Ukraine resulted in the U.S., UK, and the European Union member governments, among others, placing economic sanctions on numerous Russian entities, specific Russian-controlled entities, as well as Belarus. For the year ended March 31, 2022, sales to customers in Russia, Ukraine and Belarus made up approximately 3% of the Company's full year revenue; however, the Company's product may be sold by its customers to end users in these countries. The Company does not have significant contracts with customers in Russia and the Ukraine and the Company does not anticipate any material impact on the Company's future results of operations or financial position associated with these events. The long-term impacts of the Russian war in Ukraine remain uncertain and will continue to be assessed in future periods.

COVID-19

On January 31, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The Company's operations have been negatively impacted by the regional and global outbreak of COVID-19 including the lockdowns that occurred in China during April and May 2022 followed by quarantine regulations so far. Any quarantines, supply chain and labor shortages or other disruptions to the Company's

operations, or those of its customers, adversely impacted the Company's revenues, ability to provide its products and services and may continue to adversely impact the Company going forward. The extent to which the coronavirus impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted.

3. Reverse acquisition of CE Brands Inc. by eBuyNow eCommerce Ltd.

On January 28, 2021, CE Brands Inc. and EBN entered into an Amended and Restated Amalgamation Agreement (the "Amalgamation Agreement") in connection with the Amalgamation. Pursuant to the Amalgamation Agreement:

- The full corporate name of the resulting issuer will be "CE Brands Inc" (the "Resulting Issuer");
- The common shares of CE Brands will be consolidated on a 20.75-for-one basis into shares of the Resulting Issuer; and
- The class "A" common voting shares of EBN (the "EBN Shares") will be consolidated on a five-for-one basis;
- A wholly-owned subsidiary of CE Brands and EBN shall amalgamate under the British Columbia Business Corporations Act (BCBCA) and continue as one corporation;
- Pursuant to the amalgamation, the holders of EBN Shares will exchange those EBN Shares for Resulting Issuer shares on a one-for-one basis

On June 18, 2021, EBN completed a reverse takeover transaction with CE Brands Inc. which constituted a qualifying transaction (as defined in the policies of the TSX Venture Exchange) for CE Brands Inc. (the "Qualifying Transaction" or the "Transaction") involving EBN.

Immediately before the Qualifying Transaction, CE Brands Inc. consolidated its common shares on a 20.75-for-one basis. Existing stock options and warrants outstanding in CE Brands Inc. were also consolidated on a 20.75-for-one basis and entitled the holders to acquire shares in the capital of the resulting issuer for each stock option and warrant held immediately before the amalgamation.

In connection with the reverse takeover transaction, the following occurred:

- On June 18, 2021, the Company completed a public offering (the "Offering") of 4,156,626 subscription receipts (the "Subscription Receipts") for gross proceeds of \$17,250,000, each subscription receipt entitles the holder to one common share and one common share purchase warrant. The Company converted the Subscription Receipts into a total 4,156,626 common shares (the "Underlying Shares") and 4,156,626 common share purchase warrants (the "Underlying Warrants"), each of which entitles the holder to purchase one common share of the Company (a "Warrant Share"), for a purchase of price of C\$7.50 per Warrant Share, for a period of 24 months following the date on which the Underlying Warrant was issued.
- Immediately before the Qualifying Transaction, holders of EBN common shares, warrants and stock options had their securities consolidated on a five-for-one basis. Pursuant to the Qualifying Transaction, the Company issued 18,141,970 Common Shares, options to purchase 1,395,000 Common Shares, 3,230,342 warrants to purchase Common Shares, and US\$1,388,888 (CAD \$1,964,629) aggregate principal amount of unsecured notes that are convertible into an aggregate of 624,721 Common Shares, and C\$1,174,785 aggregate principal amount of unsecured notes that are convertible into an aggregate of 313,277 Common Shares to former security holders of EBN.

Immediately after the completion of the Qualifying Transaction and conversion of the Subscription Receipts, the issued and outstanding share capital of the Company consisted of 22,713,054 Common Shares, options to

purchase 1,793,073 Common Shares, 7,386,969 warrants to purchase Common Shares, US\$1,388,888 (CAD \$1,964,629) aggregate principal amount of unsecured notes that are convertible into an aggregate of 624,721 Common Shares, and C\$1,174,785 aggregate principal amount of unsecured notes that are convertible into an aggregate of 313,277 Common Shares to former security holders of EBN.

Under IFRS, the share exchange is considered to be a share-based payment in substance. That is, the share exchange is measured at the fair value of the company acquired. Accordingly, the share exchange is accounted for as a reverse acquisition and no goodwill is recorded. Under reverse acquisitions, the post reverse acquisition comparative historical financial statements of the legal acquirer, CEBI, are those of the legal acquiree, EBN, which is considered the accounting acquirer. These financial statements reflect the statements of financial positions, the results of operations and the cash flows of EBN and its subsidiaries at their historical carrying amounts.

Through the Transaction, CEBI acquired legal control of EBN by way of a share exchange and subsequent amalgamation. However, the shareholders of EBN gained voting control of CEBI pursuant to the issuance of CEBI common shares to the shareholders of EBN, representing a 98% majority interest in CEBI. EBN is determined to be the accounting acquirer and, consequently, the transaction has been accounted for as a reverse acquisition of CEBI by EBN. As CEBI does not meet the definition of a business, the transaction is accounted for as a reverse acquisition of net assets, pursuant to IFRS 2 Share Based Payments.

The acquisition date fair value of the consideration transferred by the accounting acquirer, EBN for its interest in the accounting acquiree, CEBI of \$1,459,907 (or 414,458 common shares, 24,096 initial public offering options and 41,446 resulting issuer options) is determined based on the fair value of the equity interest EBN would have had to give to the owners of CEBI, before the reverse acquisition, to provide the same percentage equity interest in the combined entity that results from the reverse acquisition, and is recorded as an increase in common shares and contributed surplus respectively in the consolidated statement of financial position.

The net assets of CEBI acquired on June 18, 2021 are as follows:

Cash	\$25,000
Accounts receivable	\$25,000
Accounts payable	\$(6,500)
Net assets acquired	\$43,500

In accordance with IFRS 2, Share-Based Payments, any excess of the fair value of the shares issued by the Company over the value of the net monetary assets of CEBI, is recognized in the consolidated statements of comprehensive loss.

The consideration transferred in excess of net assets acquired in connection with the reverse acquisition was \$1,416,407.

4. Financial risk management

Overview

The Company's operations expose it to credit risk, liquidity risk and market risk which are all financial risks that arise as a result of its operating and financing activities. The Company employs risk management

strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. While the Directors have the overall responsibility for the establishment and oversight of the Company's risk management framework, management has the responsibility to administer and monitor these risks.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk is as follows:

	September 30, 2022	March 31, 2022
Cash	\$344,253	\$715,796
Accounts receivable	\$275,165	\$765,107
Total	\$619,418	\$1,480,903

The Company manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

The aging of the Company's receivables is as follows:

	September 30, 2022	March 31, 2022
Not past due	228,549	668,840
31 – 60 days	1,696	31,099
61 – 90 days	743	69,796
More than 90 days	50,176	17,477
Allowance for expected credit loss	-5,999	-22,105
Total	275,165	765,107

There is credit risk with respect to accounts receivables, as the Company has a small number of customers, internationally dispersed. The Company has policies in place to monitor this credit risk and based on the history of collections with these customers, the Company does not consider this risk to be significant. As at September 30, 2022, one customer accounted for 53% of the Company's accounts receivable (March 31, 2022 – two customers accounted for 60% of accounts receivable) and this one customer accounted for 12% of its revenue (quarter ended March 31, 2022 – two customers accounted for 57% of revenue).

The Company considers accounts greater than 60 days old overdue. Accounts receivable includes \$50,919 and \$87,273 of accounts that are greater than 60 days old as at September 30, 2022 and March 31, 2022, respectively. The Company has recognized an expected credit loss of \$5,999 and \$22,105 on the accounts receivable at September 30, 2022 and March 31, 2022, respectively.

Liquidity risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements: (a) the Company will not have sufficient funds to settle a transaction on the due date; (b) the Company will be forced to sell financial assets at a value which is less than the fair value; or, (c) the Company may be unable to settle or recover a financial asset at all. As discussed in the Basis of presentation – Going concern note above, certain debt obligations of the Company have been classified as current on the

statement of financial position. The Company will require additional funding to reduce its exposure to liquidity risk (see note 2).

The Company continuously monitors its actual and forecast cash flows to review whether there are adequate reserves to meet the maturing profiles of its liabilities. The Company closely monitors its cash and manages liquidity risk by reducing spending, and raising funds as required via equity or debt financing.

The following table outlines the maturities of the Company's liabilities:

Contractual maturities of financial liabilities	Less than 1 year	1-3 years	Total
Accounts payable and accrued liabilities	\$4,528,408	\$0	\$4,528,408
Due to related parties	\$349,859	\$0	\$349,859
Lease liabilities	\$49,143	\$0	\$49,143
Long-term debt ⁽¹⁾⁽²⁾	\$4,948,657	\$4,785,264	\$9,733,920
As at September 30, 2022	\$9,876,067	\$4,785,264	\$14,661,330

(1) Includes C\$5,000,000 convertible debenture.

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

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates, will affect the fair value of financial instruments. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

Interest rate risk: Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on the long-term debt that bears interest at variable rates of interest. A 1% increase in the interest rate would have a \$53,030 increase on the net loss and accumulated deficit of the Company for the six months ended September 30, 2022 (six months ended September 30, 2021 – 30,904).

Foreign exchange risk: The Company's financial performance is closely linked to foreign exchange rates. While the Company may employ the use of various financial instruments in the future to manage these price exposures, the Company is not currently using any such instruments. A 1% increase in the exchange rate would have a \$38,672 impact on the comprehensive loss and accumulated deficit of the Company for the six months ended September 30, 2022 (six months ended September 30, 2021 - \$41,319).

Capital management

The Company's capital management policy is to maintain a capital base that optimizes the Company's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its shareholders. The Company intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Company's early stage of development and the requirement to sustain future development of the business. The Company will manage its capital structure and make changes to it in the light of changes to economic conditions and the risk characteristics of the nature of the business. The Company considers its capital structure to include shareholders' equity/deficit and working capital surplus/deficit. In order to maintain or adjust the capital structure, the Company may

from time to time issue shares and adjust its capital spending to manage its current and projected capital structure.

5. Related parties

The amounts due to related parties include amounts due to shareholders, directors and a company controlled by directors and are non-interest bearing, unsecured and have no fixed terms of repayment.

	<u>September 30, 2022</u>	<u>March 31, 2022</u>
Due to current/former shareholders and officers	349,859	320,767

At September 30, 2022, accounts payable and accrued liabilities includes \$117,981 of amounts owed to directors and officers of the Company (March 31, 2022 – \$291,672).

In addition, the Vesta Loan Facility and the Convertible Debenture Notes (see financial statement note 6) constitutes a related party transaction for the purposes of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“MI 61-101”), as it involves the Company borrowing money from an entity, Vesta Fund, over which Vesta Wealth Partners Ltd., a “related party” of the Company exercises certain discretionary control.

6. Debt obligations, warrant obligations and convertible debenture derivatives

	September 30, 2022	March 31, 2022
<u>Convertible debenture notes</u>		
Opening balance	\$4,427,227	\$2,891,159
Accretion expense	\$107,447	\$112,243
Convertible debenture drawn	\$938,664	\$3,857,099
Settled, net of deferred financing fees	\$111,012	-\$2,448,291
Closing balance	\$5,584,350	\$4,427,227
<u>Senior secured debentures</u>		
Opening balance	-	\$2,515,557
Settled	-	-\$2,718,505
Accretion expense	-	\$202,948
Closing balance	\$ -	-
<u>Other debt and promissory notes</u>		
Opening balance	\$1,118,853	\$2,676,854
Promissory notes and other loans, drawn	\$3,796,850	\$1,558,766
Settled, net of deferred financing fees	-\$1,313,937	-\$3,116,767
Closing balance	\$3,601,766	\$1,118,853
<u>Line of credit</u>		
Opening balance	-	\$555,139
Repayments	-	-\$584,359
Amortization of deferred financing fees	-	\$29,220
Closing balance	\$ -	-
Total long-term debt	\$9,186,116	\$5,546,081
Current portion of long-term debt:	\$4,767,934	\$2,176,430
Non-current portion of long-term debt:	\$4,418,181	\$3,369,651

Convertible debenture notes

On November 12, 2021 and May 26, 2022 the Company entered into convertible notes with an aggregate principal amount of \$4,000,000 and \$1,000,000 respectively subject to delayed draws to address the Company's working capital needs. The convertible notes bear an interest rate of 15.0% per annum on outstanding principal amounts, payable on the first and second anniversary of the issue date, unless earlier redeemed or converted. The convertible notes are senior secured obligations of the Company and mature on the second anniversary of the issue date. Prior to maturity, the convertible notes are convertible into common shares of the Company, at the option of the holders, at a conversion price per share of \$1.50. The convertible notes are not redeemable by the Company prior to the first anniversary of the issue date. The Company issued 2,000,000 and 500,000 warrants as part of the debt financing announced on November 12, 2021 and May 26, 2022 respectively. Each warrant is exercisable at \$1.00 per common share for a period of 24 months from issuance. The fair value of the warrants was \$355,760 and \$21,206 respectively and was determined using a Black-Scholes model. Further, \$243,528 and \$19,905 of transaction costs were recorded at the funding date respectively. The fair value of the warrants and the transaction costs have been recorded pro-rata on a net basis to the liability and equity components of the convertible note.

The Company drew on the convertible notes in five tranches as detailed in the table below for total proceeds of \$5,000,000 drawn and outstanding at September 30, 2022.

Tranche	Date	Amount Drawn	Liability component	Equity component at inception	Accretion for quarter ending September 30, 2022
Tranche 1	November 12, 2021	\$1,000,000	\$964,454	\$35,545	\$4,480
Tranche 2	December 14, 2021	\$1,000,000	\$966,933	\$33,067	\$4,358
Tranche 3	January 25, 2022	\$1,000,000	\$964,150	\$35,851	\$5,028
Tranche 4	February 22, 2022	\$1,000,000	\$961,561	\$38,439	\$5,631
Tranche 5	May 26, 2022	\$1,000,000	\$938,664	\$61,336	\$7,719
		\$5,000,000	\$4,795,762	\$204,238	\$27,216

Choco Facility

On May 24, 2022, the Company entered into an agreement for the sale of US\$2,475,000 (CAD\$3,174,435) of future receivables for net proceeds of up to US\$2,250,000 (CAD\$2,885,850) (the "Choco Facility"). This is a financing agreement based on future receivables where the retrieval percentage represents the deferred financing cost. The associated accounts receivables remain recognized on the Company's statement of financial position and still carry credit risk for the Company.

The funds committed under the Choco Facility will be drawn in three tranches with an initial tranche of US\$1,250,000 of proceeds available to the Company on close for future receivables of US\$1,375,000. The initial tranche is to be repaid over eight months with a retrieval percentage of 15.6%, subject to maximum payments of US\$154,688 per month for the first four months and US\$252,083 per month for the remaining four months. On June 22, 2022, the initial tranche of US\$1,250,000 (CAD\$1,711,850) was funded. During the three and six months ended September 30, 2022, the Company has made two payments US\$164,900 (CAD\$216,339) and US\$140,000 (CAD\$183,672) towards this debt obligation. Subsequent to September 30, 2022 the Company has made repayments of US \$313,850 (CAD \$405,795) to the Choco Facility.

The second tranche will be available on or before August 31, 2022, subject to the Company having repaid 22% of the future receivables due on the first tranche. The second tranche will provide proceeds of US\$500,000 for future receivables of US\$550,000. This tranche is to be repaid over eight months with a retrieval percentage of 6.3% and maximum payments of US\$61,875 per month for the first four months and US\$100,833 per month for the remaining four months. On August 26, 2022, the second tranche of US\$500,000 (CAD\$753,214) was funded. Subsequent to September 30, 2022, the Company has made a payment for US\$123,780 (CAD\$160,159) to the Choco Facility

The third tranche will be available on or before October 31, 2022, subject to the Company having repaid 45% of the future receivables on the first tranche and 22.5% of future receivables on the second tranche. The third tranche will provide proceeds of US\$500,000 for future receivables of US\$550,000. The third tranche is to be repaid over eight months with a retrieval percentage of 6.3% and maximum payments of US\$61,875 per month for the first four months and US\$100,833 per month for the remaining four months. Subsequent to September 30, 2022, the third tranche of US\$500,000 (CAD\$750,329) was funded.

At September 30, 2022, the balance outstanding of this debt obligation was \$1,988,021 net of deferred financing fees.

Vesta Loan Facility

On June 20, 2022, the Company entered into a binding term sheet with Vesta Global Stability Fund (“Vesta”) for a Loan Agreement (the “Vesta Loan Facility”) to fund working capital and for other general corporate purposes, including the purchase of inventory and shipping and duty expenses. This term sheet represents a fully executed agreement and reflects all material terms and conditions with respect to the lending transaction and is binding between both parties. The Vesta Loan Facility is for up to a maximum of US\$2,000,000 (CAD\$2,598,800) at an effective annual interest rate of 18% payable monthly based on the total drawn amount of the Vesta Loan Facility. There is no standby fee or interest due on undrawn amounts.

Funding under the Vesta Loan Facility can be availed at any time after June 30, 2022 via three tranches as outlined below. The Vesta Loan Facility can be drawn over a 12-month period. The initial tranche of US\$500,000 (CAD\$ 654,568) was advanced on July 15, 2022, the second tranche of \$US500,000 (CAD\$ 645,240) was advanced on August 15, 2022. Subsequent to September 30, 2022, the third and final tranche of US\$1,000,000 (CAD\$ 1,377,150) was advanced.

The Vesta Loan Facility matures and all principal and accrued interest payable on the date which is 12 months following the date of the funding and is callable at any time by the lender with 30 days written notice at the lender’s full discretion. The Vesta Loan Facility is a senior secured obligation of the Company, and Vesta Fund will be provided with security ranking *pari passu* with the holders of the November 2021 Convertible Notes and the May 2022 Convertible Notes.

Availability of the Vesta Loan Facility is subject to there being no material changes within the business or operations of the borrower during the funding period. The Company must inform the lender within five (5) business days in writing of any material changes in the Company and this may result in the termination of the Vesta Loan Facility and the Company’s ability to access any undrawn amounts. Termination of the Vesta Loan Facility would force full repayment within 30 days of any drawn amounts plus accrued interest.

At September 30, 2022, the first two tranches of the Loan Facility were fully drawn with an aggregate outstanding balance of US \$1,000,000 (CAD \$1,369,480) net of deferred financing fees.

Other debt and promissory notes

On July 28, 2021, the Company entered into a contract for the sale of US\$1,400,000 of future receivables for US\$1,250,000 (CAD \$1,558,724). This contract has a fee of 12% and is paid back monthly at a retrieval percentage of 8.5% for August 2021, 8.5% for December 2021, and 15% going forward. During the quarter ending June 30, 2022, the Company made payments of US\$610,682 (CAD 788,547) towards this debt obligation. At September 30, 2022, this debt is fully repaid.

Founders' Convertible Note

The Company has an aggregate \$1,166,168 of convertible founders loans outstanding at September 30, 2022. During the three months ended September 30, 2022, loans aggregating to \$574,659 of this balance matured and were not repaid. The remaining balance of convertible founders loans mature on or before March 31, 2023. The convertible founders loans are unsecured and are subordinate to the Convertible Debenture Notes and Vesta Loan Facility and cannot be repaid until such time as the Convertible Debenture Notes and Vesta Loan Facility are extinguished (see Note 2).

7. Revenue

The Company's revenues from the transfer of goods and services are recognized at a point in time and derived from the following geographical regions by location of the end consumer:

Country	Three months ended September 30, 2022	Three months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2021
Canada	\$159,153	\$113,782	\$280,254	\$387,037
United Kingdom	\$97,291	\$114,787	\$168,551	\$257,598
United States	\$1,095,150	\$500,922	\$2,626,089	\$950,791
Russia	\$0	\$73,680	\$0	\$73,680
Australia	\$267,603	\$28	\$260,008	\$28
Hong Kong	\$0	\$198,639	\$536,381	\$0
South Africa	\$305,644	\$0	\$305,644	\$0
Other countries	\$258,286	\$393,332	\$400,897	\$841,179
	\$2,183,127	\$1,395,170	\$4,577,824	\$2,510,313

8. Finance costs

	Three months ended September 30, 2022	Three months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2021
Interest expense	249,670	(39,478)	482,975	586,765
Accretion expense	61,712	23,772	107,447	250,510
Amortization of financing costs	158,531	124,836	325,141	354,439
Loss on financial instruments settled	-	(122,497)	-	227,144
	469,913	(13,367)	915,563	1,418,858

9. Share capital and loss per share

Issued and outstanding

	Number of shares	Amount (\$)
Balance at March 31, 2021	17,941,490	\$18,860,572
Warrants converted to common shares	202,980	380,601
Shares issued on reverse acquisition of CE Brands Inc.	414,458	1,316,445
Shares issued in connection with public offering	4,156,626	10,654,849
Issuance of shares	2,500,000	1,400,000
Exercise of options	45,000	52,657
Share issuance costs	-	-112,000
Convertible debt financing costs	-	-41,332
Balance at March 31, 2022	25,260,554	\$32,511,792
Exercise of options	29,633	76,603
Balance at September 30, 2022	25,290,187	\$32,588,395

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value.

The holders of Common Shares are entitled to dividends, if, as and when declared by the board of directors, to one vote per share at meetings of the shareholders of the Company and, upon dissolution, to share equally in such assets of the Company as are distributable to the holders of Common Shares.

In relation to the reverse acquisition transaction, as described in note 3, on June 18, 2021, the common shares of EBN were exchanged on a five-for-one basis (the "Share Exchange"). The Share Exchange is reflected retrospectively in these consolidated financial statements.

On June 18, 2021, the Company completed a public offering (the "Offering") of 4,156,626 subscription receipts (the "Subscription Receipts") for gross proceeds of \$17,250,000, each subscription receipt entitles the holder to one common share and one common share purchase warrant. The Company converted the Subscription Receipts into a total 4,156,626 common shares (the "Underlying Shares") and 4,156,626 common share purchase warrants (the "Underlying Warrants"), each of which entitles the holder to purchase one common share of the Company (a "Warrant Share"), for a purchase of price of C\$7.50 per Warrant Share, for a period of 24 months following the date on which the Underlying Warrant was issued. The Company issued 4,156,626 shares at a price of \$4.15 per share. The Company paid agents a fee of \$1,380,000 and incurred \$660,282 in legal fees in connection with the public offering which have been recorded as share issuance costs and recognized as a deduction from equity. The Company issued 4,156,626 warrants for deemed consideration of \$4,047,296 and 332,531 agent options for deemed consideration of \$507,572. Both warrants and agent options have been recorded as a reduction in the share capital recognized on the public offering.

On November 12, 2021, the Company closed previously entered into subscription agreements for the sale of 2,500,000 common shares of the Company for aggregate gross proceeds of approximately \$1,400,000 at a price of \$0.56 per common share. Total share issuance costs incurred with the subscription agreements was \$153,332.

Loss per share

The weighted average number of common shares used to calculate basic and diluted loss per share is 25,283,101 for the three months and 25,271,889 for six months ended September 30, 2022 (three months ended September 30, 2021 – 22,711,288 and six months ended September 30, 2021 – 20,722,670). The

Company excluded convertible debt, warrants and stock options from the calculation of diluted loss per share as they would be anti-dilutive.

10. Warrants reserve

Issued and outstanding

	Number of warrants	Amount (\$)
Balance at March 31, 2021	3,181,496	\$ 3,514,043
Warrants issued in connection with public offering	4,156,626	4,047,296
Warrants issued	2,112,000	375,683
Warrants exercised	(38,315)	0
Warrants expired	(2,315,140)	0
Balance at March 31, 2022	7,096,667	\$ 7,937,022
Warrants issued	500,000	21,206
Warrants expired	(61,487)	0
Balance at September 30, 2022	7,535,175	\$ 7,958,228

In relation to the reverse acquisition transaction, as described in note 3, on June 18, 2021, the warrants of EBN were exchanged on a five-for-one basis (the "Warrant Exchange"). The Warrant Exchange is reflected retrospectively in these consolidated financial statements.

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

The key assumptions underlying the valuation of warrants issued in the year were as follows:

Risk-free rate	2.55%
Weighted-average life	24 months
Annualized volatility	90.79%
Share price at the date of issuance	\$0.25
Dividend yield	0%
Exercise price	\$1.00

11. Share based compensation

The Company has an option program that entitles officers, directors, employees and certain consultants to purchase shares in the Company. Options granted are exercisable at the market price of the shares at the date of grant, have a term of up to five years and vest over one to five years in accordance with the terms of the individual grants.

	Number of options
Balance at March 31, 2021	1,395,000
Granted during the period	1,056,500
Forfeited during the period	(330,000)
Exercised during the period	(45,000)
CEBI options issued on reverse acquisition of CE Brands Inc.	41,446
CEBI IPO options issued on reverse acquisition of CE Brands Inc.	24,096
Agents' options issued in connection with public offering	332,531
Balance at March 31, 2022	2,474,573
Granted during the period	330,000
Forfeited during the period	(1,026,200)
Exercised during the period	(29,633)
Agents' options expired in connection with public offering	(332,531)
Balance at September 30, 2022	1,396,209

On June 29, 2022, the Company issued 310,00 employee stock options at an exercise price of \$0.21. The options shall vest in full on the first anniversary following the date of the grant. Upon vesting, Options shall expire on the date that is 24 months from the anniversary of the vesting date such that all options shall expire on June 29, 2025.

	June 29, 2022 Option Grant
Exercise price	\$0.21
Annualized volatility	90.88%
Expected life	2 years
Risk-free rate	3.10%
Dividend yield	0%

12. Net changes in non-cash working capital

Net changes in non-cash working capital consists of the following:

	Six months ended September 30, 2022	Six months ended September 30, 2021
Accounts receivable	505,730	(82,508)
Inventory	(968,153)	38,257
Prepaid expenses and deposits	225,759	(494,691)
Accounts payable and accrued liabilities	985,043	(4,000,781)
Change in non-cash working capital - operating	748,378	(4,539,723)

13. Commitments

The company has minimum royalty guarantees on Kodak and Motorola licensing.

Paticulars	Less Than 1 Yr	1-3 Yrs	3-5 Yrs	Total
Royalty Payments	2,162,345	5,765,107	1,237,590	9,165,042
Purchase Orders Placed	6,270,686	-	-	6,270,686
Total	8,433,031	5,765,107	1,237,590	15,435,727