

**These financial statements for Charlotte's Web Holdings, Inc. are also included in the Form 10-Q for the quarter ended March 31, 2025 filed on SEDAR+ on May 14, 2025 in its entirety. Amounts are presented in thousands of United States dollars, unless otherwise indicated.**

**CHARLOTTE'S WEB HOLDINGS, INC.**  
**FORM 10-Q**  
**For the Quarter Ended March 31, 2025**

**INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

<u>Part I</u>	<u>FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	<u>Condensed Consolidated Financial Statements (Unaudited)</u>	<u>1</u>
	<u>- Condensed Consolidated Balance Sheets</u>	<u>2</u>
	<u>- Condensed Consolidated Statements of Operations</u>	<u>3</u>
	<u>- Condensed Statements of Changes in Shareholders' Equity</u>	<u>4</u>
	<u>- Condensed Consolidated Statements of Cash Flows</u>	<u>5</u>
	<u>- Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>

**PART I**

**Item 1. Financial Statements**

**CHARLOTTE'S WEB HOLDINGS, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share amounts)

	<b>March 31,</b>	<b>December 31,</b>
	<b>2025 (unaudited)</b>	<b>2024</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 19,357	\$ 22,618
Accounts receivable, net	1,531	1,263
Inventories, net	18,916	18,907
Prepaid expenses and other current assets	4,201	4,194
<b>Total current assets</b>	<b>44,005</b>	<b>46,982</b>
Property and equipment, net	25,758	26,337
License and media rights	12,717	13,691
Operating lease right-of-use assets, net	12,404	12,876
Investment in unconsolidated entity	10,700	10,800
SBH purchase option and other derivative assets	970	1,075
Intangible assets, net	1,003	1,049
Other long-term assets	466	632
<b>Total assets</b>	<b>\$ 108,023</b>	<b>\$ 113,442</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 3,943	\$ 3,426
Accrued and other current liabilities	4,764	5,246
Lease obligations – current	1,844	2,055
License and media rights payable - current	7,937	5,209
<b>Total current liabilities</b>	<b>18,488</b>	<b>15,936</b>
Convertible debenture	44,753	43,631
Lease obligations	13,257	13,652
License and media rights payable	9,227	11,809
Derivative and other long-term liabilities	1,236	1,327
<b>Total liabilities</b>	<b>86,961</b>	<b>86,355</b>
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Common shares, nil par value; unlimited shares authorized; 158,009,541 and 158,009,541 shares issued and outstanding as of March 31, 2025 and December 31, 2024	1	1
Additional paid-in capital	328,842	328,655
Accumulated deficit	(307,781)	(301,569)
<b>Total shareholders' equity</b>	<b>21,062</b>	<b>27,087</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 108,023</b>	<b>\$ 113,442</b>

*See Notes to Unaudited Condensed Consolidated Financial Statements*

**CHARLOTTE'S WEB HOLDINGS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except share and per share amounts)

	<b>Three Months Ended March 31,</b>	
	<b>(unaudited)</b>	
	<b>2025</b>	<b>2024</b>
Revenue	\$ 12,262	\$ 12,124
Cost of goods sold	6,032	5,213
Gross profit	6,230	6,911
Selling, general, and administrative expenses	11,578	15,280
Operating loss	(5,348)	(8,369)
Change in fair value of financial instruments	(126)	(1,860)
Other income (expense), net	(738)	611
Loss before provision for income taxes	\$ (6,212)	\$ (9,618)
Income tax expense	—	(16)
Net loss	\$ (6,212)	\$ (9,634)
Per common share amounts (Note 10)		
Net loss per common share, basic and diluted	\$ (0.04)	\$ (0.06)

*See Notes to Unaudited Condensed Consolidated Financial Statements*

CHARLOTTE'S WEB HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands, except share amounts)

(unaudited)

	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders'
	Shares	Amount			
Balance—December 31, 2024	158,009,541	\$ 1	\$ 328,655	\$ (301,569)	\$ 27,087
Common shares issued upon vesting of restricted share units, net of withholding	—	—	—	—	—
Share-based compensation	—	—	187	—	187
Net loss		—		(6,212)	(6,212)
Balance—March 31, 2025	158,009,541	\$ 1	\$ 328,842	\$ (307,781)	\$ 21,062
Balance—December 31, 2023	154,332,366	\$ 1	\$ 327,280	\$ (271,723)	\$ 55,558
Common shares issued upon vesting of restricted share units, net of withholding	2,895,489	—	(98)	—	(98)
Share-based compensation		—	842	—	842
Net loss		—		(9,634)	(9,634)
Balance—March 31, 2024	157,227,855	\$ 1	\$ 328,024	\$ (281,357)	\$ 46,668

See Notes to Unaudited Condensed Consolidated Financial Statements

CHARLOTTE'S WEB HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended March 31, (unaudited)	
	2025	2024
<b>Cash flows from operating activities:</b>		
Net loss	\$ (6,212)	\$ (9,634)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,449	2,493
Change in fair value of financial instruments	126	1,860
Convertible debenture and other accrued interest	868	1,015
Changes in right-of-use assets	473	443
Share-based compensation	187	842
Other	126	(956)
Changes in operating assets and liabilities:		
Accounts receivable, net	(394)	98
Inventories, net	19	(1,026)
Prepaid expenses and other current assets	28	150
License and media rights	—	(2,500)
Operating lease obligations	(605)	(551)
Accounts payable, accrued and other liabilities	71	663
Other operating assets and liabilities, net	96	(76)
Net cash used in operating activities	<u>(2,768)</u>	<u>(7,179)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment and intangible assets	(521)	(2,060)
Proceeds from sale of assets	28	27
Net cash used in investing activities	<u>(493)</u>	<u>(2,033)</u>
<b>Cash flows from financing activities:</b>		
Other financing activities	—	(98)
Net cash used in financing activities	<u>—</u>	<u>(98)</u>
Net decrease in cash and cash equivalents	(3,261)	(9,310)
Cash and cash equivalents —beginning of period	22,618	47,820
Cash and cash equivalents —end of period	<u>\$ 19,357</u>	<u>\$ 38,510</u>
<b>Non-cash activities:</b>		
Non-cash purchase of property and equipment and intangible assets	\$ (83)	\$ (374)

See Notes to Unaudited Condensed Consolidated Financial Statements

# CHARLOTTE'S WEB HOLDINGS, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share, per share, per unit, and number of years)  
(unaudited)

### 1. DESCRIPTION OF BUSINESS AND PRESENTATION OF FINANCIAL STATEMENTS

#### *Description of the Business*

Charlotte's Web Holdings, Inc. together with its subsidiaries (collectively "Charlotte's Web" or the "Company") is a public company incorporated pursuant to the laws of the Province of British Columbia and a Certified B Corp. The Company's common shares are publicly listed on the Toronto Stock Exchange ("TSX") under the symbol "CWEB" and quoted on the OTCQX under the symbol "CWBHF." The Company's corporate headquarters is located in Louisville, Colorado in the United States of America. The majority of the Company's business is conducted in the United States of America.

The Company's primary products are made from high quality and proprietary strains of whole-plant hemp extracts containing a full spectrum of phytocannabinoids, terpenes, flavonoids, and other hemp compounds. Hemp extracts are produced from the plant *Cannabis sativa L.* ("cannabis" or "CBD"), and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol ("THC") concentration of not more than 0.3% on a dry weight basis ("hemp"). The Company is engaged in research involving the effectiveness of a broad variety of compounds derived from hemp, as well as other botanical-based wellness products such as functional mushrooms. The Company does not currently produce or sell medical or recreational marijuana or products derived from high THC cannabis plants. The Company does not currently have any plans to expand into such high-THC products in the near future.

The Company's current product categories include full spectrum hemp extract oil tinctures (liquid product), gummies, capsules, and soft-gels, CBD topical creams and lotions, broad-spectrum botanical CBD gummies, functional mushrooms gummies, and pet products. The Company's products are distributed through its e-commerce website, third-party e-commerce websites, select distributors, health practitioners, and a variety of brick-and-mortar and specialty retailers.

The Company grows its proprietary hemp domestically in the United States on farms leased in northeastern Colorado and sources high quality hemp through contract farming operations in Arizona, Colorado, Kentucky, New Mexico, and Canada. The hemp grown in Canada is utilized exclusively in the Canadian markets or for research purposes and not in products sold within the United States.

In furtherance of the Company's research and development ("R&D") efforts, the Company established CW Labs, an internal division for R&D, to expand the Company's efforts around the science of hemp derived compounds. CW Labs is currently engaged in clinical trials addressing hemp-based health solutions. CW Labs is located in Louisville, Colorado at the Company's current good manufacturing practice ("cGMP") production and distribution facility.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES

#### *Basis of Presentation*

The accompanying unaudited interim condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Any reference in these notes to applicable guidance is meant to refer to U.S. GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU") of the Financial Accounting Standards Board ("FASB").

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements include all normal and recurring adjustments (which consist primarily of accruals, estimates and assumptions that impact the financial statements) considered necessary to present fairly the Company's financial position as of March 31, 2025 and its results of operations for the three months ended March 31, 2025 and 2024, cash flows for the three months ended March 31, 2025 and 2024, and stockholders' equity for the three months ended March 31, 2025 and 2024. Operating results for the three months ended March 31, 2025, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2025. The unaudited interim condensed consolidated financial statements presented herein do not contain the required disclosures under U.S. GAAP for annual consolidated financial statements. Certain amounts presented in prior periods have been reclassified to conform with the current period presentation. The accompanying unaudited interim condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and

## CHARLOTTE'S WEB HOLDINGS, INC.

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share, per share, per unit, and number of years)  
(unaudited)

related notes as of and for the year ended December 31, 2024, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 19, 2025.

#### ***Inventories***

Inventories are stated at the lower of cost or net realizable value. The Company periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions. The Company's inventory production process for cannabinoid products includes the cultivation of botanical raw material. Due to the duration of the cultivation process, a portion of the inventory will not be sold within one year. Consistent with the practice in other industries that cultivate botanical raw materials, all inventory is classified as a current asset.

#### ***Revenue Recognition***

The majority of the Company's revenue is derived from sales of branded products to consumers via the Company's direct-to-consumer e-commerce website, as well as distributors, retail and wholesale business-to-business customers, and health practitioners. The service revenue is due to the Company and DeFloria, Inc. ("DeFloria") entering into a Master Services Agreement ("Services Agreement") in which the Company is compensated for the provision of certain services to DeFloria. Refer to Note 3 for additional disclosure on the DeFloria Service Agreement. The following table sets forth the disaggregation of the Company's revenue:

	Three Months Ended March 31,	
	2025	2024
Product revenue	\$ 12,187	\$ 11,813
Service revenue	75	311
Total revenue	\$ 12,262	\$ 12,124

Substantially all of the Company's revenue is earned in the United States.

#### ***Recently Adopted Accounting Pronouncements***

In November 2023 the Financial Accounting Standards Board ("FASB") issued *ASU 2023-07—Segment Reporting*. The guidance was issued to provide financial statement users with more disaggregated expense information about a public entity's reportable segments. The guidance was effective for the year ended December 31, 2024, and the expanded interim disclosures are effective in entities in 2025 and will be applied retrospectively to all prior periods presented. Refer to Note 13 "Operating Segment" for additional disclosures.

#### ***Recently Issued Accounting Pronouncements Not Yet Adopted***

Other than described below, no new accounting pronouncements issued by the FASB had or may have a material impact on the Company's consolidated financial statements.

In November 2024, the FASB issued *ASU 2024-04, Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments*. The guidance clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. ASU 2024-04 is effective for the Company beginning December 31, 2025. The Company is currently evaluating the effect of adopting this ASU.

In November 2024, the FASB issued *ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. The new guidance requires disaggregated disclosure of income statement expenses for public business entities. ASU 2024-03 is effective for the Company beginning December 31, 2026. The Company is currently evaluating the effect of adopting this ASU.

**CHARLOTTE'S WEB HOLDINGS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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In December 2023 the FASB issued a final standard on improvements to income tax disclosures, *ASU 2023-09, Improvements to Income Tax Disclosures*. The standard requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. For public business entities, the new requirements is effective for annual periods beginning after December 15, 2024. The Company is currently evaluating the impact, if any, that the updated standard will have on the Company's consolidated financial statements and related disclosures.

**3. FAIR VALUE MEASUREMENT**

The following table sets forth the Company's financial instruments that were measured at fair value on a recurring basis at March 31, 2025 and December 31, 2024, by level within the fair value hierarchy:

	<b>March 31, 2025</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets:</b>				
Stanley Brothers USA Holdings purchase option	\$ —	\$ —	\$ —	\$ —
Debt interest rate conversion feature	—	—	970	970
<b>Total financial assets</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 970</b>	<b>\$ 970</b>
<b>Investment in unconsolidated entity:</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 10,700</b>	<b>\$ 10,700</b>
<b>Financial liabilities:</b>				
Debt conversion option	\$ —	\$ 709	\$ —	\$ 709
	<b>\$ —</b>	<b>\$ 709</b>	<b>\$ —</b>	<b>\$ 709</b>
	<b>December 31, 2024</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets:</b>				
Stanley Brothers USA Holdings purchase option	\$ —	\$ —	\$ 52	\$ 52
Debt interest rate conversion feature	—	—	1,023	1,023
<b>Total financial assets</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,075</b>	<b>\$ 1,075</b>
<b>Investment in unconsolidated entity:</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 10,800</b>	<b>\$ 10,800</b>
<b>Financial liabilities:</b>				
Debt conversion option	\$ —	\$ 786	\$ —	\$ 786
	<b>\$ —</b>	<b>\$ 786</b>	<b>\$ —</b>	<b>\$ 786</b>

There were no transfers between levels of the fair value hierarchy and there were no changes in the fair value methodologies during the three months ended March 31, 2025, and the year ended December 31, 2024.

***Investment in Unconsolidated Entity***

On April 6, 2023, the Company jointly formed an entity, DeFloria, with AJNA BioSciences ("AJNA"), and a subsidiary of British American Tobacco ("BAT"). AJNA is a botanical drug development company. AJNA is partially owned and was co-founded by a member of the Stanley Brothers. The seven Stanley brothers (the "Stanley Brothers") founded CWB Holdings, Inc. (predecessor to Charlotte's Web, Inc).

## CHARLOTTE'S WEB HOLDINGS, INC.

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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As of March 31, 2025, BAT holds an equity interest in DeFloria in the form of 2,000,000 or 100% preferred units (200,000 preferred units as of March 31, 2024) following its \$10 million initial investment and has the right to participate in future equity issuances to maintain its pro rata equity position. In 2024, BAT and AJNA invested an additional \$5 million and \$2 million, respectively, into DeFloria in exchange for a convertible debenture. The Company and AJNA each hold 4,000,000 or approximately 50% (400,000 common shares as of March 31, 2024), respectively, of DeFloria's voting common units following a 1-10 stock split when DeFloria converted from a Limited Liability Company to a Corporation. The Company's contribution to DeFloria is a license permitting the use of certain proprietary hemp intellectual property, including clinical and consumer data. Additionally, the Company has a supply agreement with DeFloria, under which the Company supplies the oils at cost used to produce and develop the new drug. AJNA's contribution to the entity is laboratory and regulatory services, clinical expertise, and the provision of clinical services. DeFloria used the investments for the clinical development of a hemp botanical Investigational New Drug application and has concluded Phase I clinical development.

Concurrently with the formation of DeFloria, the Company was issued a warrant to purchase 865,052 shares of Class A Common Stock of AJNA for an exercise price of \$2.89 per share. Management determined the warrant should be accounted for in accordance with ASC 321, which requires the warrant to be measured at fair value at issuance and subsequently remeasured at fair value each reporting period. All changes from the remeasurement of the warrant will be recorded as a change in fair value of financial instruments in the condensed consolidated statements of operations. The Company determined the fair value of the AJNA warrants to be de minimis and as such no value was recorded as of March 31, 2025 and December 31, 2024, respectively.

The Company determined that it has a variable interest in the investment in DeFloria; however, the Company is not the primary beneficiary of DeFloria as it lacks the power to direct DeFloria's key activities. The Company concluded that the investment in DeFloria should not be consolidated. The maximum exposure to loss in the investment in DeFloria is limited to the Company's investment, which is represented by the financial statement carrying amount of its retained interest.

In accordance with ASC 825-10, equity method investments are eligible for the fair value option as they represent recognized financial assets. As the Company is not required to consolidate the investment and does not meet any of the other scope exceptions, the Company had the ability to adopt the fair value option for the investment at inception. Upon formation of the entity, the Company elected the fair value option because it allowed the investment to be valued based on current market conditions.

The investment has been remeasured at fair value at each reporting date, with changes recognized in condensed consolidated statements of operations as changes in fair value of financial instruments for the period. For the three months ended March 31, 2025 and March 31, 2024, a loss of \$100 and \$800, respectively, related to the investment in DeFloria was recognized as a change in fair value of financial instruments in the condensed consolidated statements of operations. As of March 31, 2025 and December 31, 2024, the DeFloria investment represents an investment of \$10,700 and \$10,800 within the condensed consolidated balance sheets.

The use of assumptions for the fair value determination includes a high degree of subjectivity and judgment using unobservable inputs (level 3 on the fair value hierarchy), which results in estimation uncertainty. To determine the value of the investment, the Company utilizes an Option Pricing Model ("OPM"). The OPM considers the various terms of the stockholder agreements, including the level of seniority among the securities, dividend policy, conversion ratios, and cash allocations upon liquidation of the entity. The OPM is appropriate when the range of potential future outcomes is difficult to predict with any certainty.

The following additional assumptions are used in the model:

	<u>March 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Expected term (years)	5.0	5.27
Volatility	86.3%	83.6%
Risk-free interest rate	4.0%	4.4%
Expected dividend yield	—%	—%
Discount for lack of marketability	31.0%	31.0%

## CHARLOTTE'S WEB HOLDINGS, INC.

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share, per share, per unit, and number of years)

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#### *Convertible Debt Derivatives*

On November 14, 2022, the Company entered into a subscription agreement (the "Subscription Agreement") with BT DE Investments, Inc. a wholly-owned subsidiary of BAT Group (LSE: BATS and NYSE: BTI) (the "Lender"), providing for the issuance of a \$56.8 million (C\$75.3 million) convertible debenture (the "debenture"). The debenture is convertible into 19.9% ownership of the Company's common shares at a conversion price of C\$2.00 per common share of the Company on the TSX. The debenture will accrue interest at a stated annualized rate of 5% until such time that there is federal regulation permitting the use of cannabidiol, a phytocannabinoid derived from the plant *Cannabis sativa* L. as an ingredient in food products and dietary supplements in the United States. The term "federal regulation" is defined as the date that federal laws in the United States permit, authorize or do not prohibit the use of CBD as an ingredient in food products and dietary supplements. Following federal regulation of CBD, the annualized rate of interest shall reduce to 1.5%. The maturity date for the debenture is November 14, 2029 (the "Maturity Date").

#### *Debt Interest Rate Conversion Feature*

The debt interest rate conversion feature is classified as a financial asset and is remeasured at fair value at each reporting date, with changes recognized in condensed consolidated statements of operations as changes in fair value of financial instruments for the period. The use of assumptions for the fair value determination includes a high degree of subjectivity and judgment using unobservable inputs (level 3 on the fair value hierarchy), which results in estimation uncertainty. The debt interest rate conversion feature, if triggered, reduces the stated interest rate of the debenture to 1.5% upon federal regulation of CBD in the United States.

For the three months ended March 31, 2025 and March 31, 2024, a loss of \$53 and \$54, respectively, related to the debt interest rate conversion feature was recognized as a change in fair value of financial instruments in the condensed consolidated statement of operations. As of March 31, 2025 and December 31, 2024, the debt interest rate conversion feature represents a financial asset of \$970 and \$1,023, respectively, within SBH purchase option and other derivative assets in the condensed consolidated balance sheets.

To determine the value of the debt interest rate conversion feature, the Company utilizes a probability weighted income approach. This method calculates the present value of the reduced interest accrued on the debenture assuming the feature is triggered at a certain time, after accounting for the probability of federal regulation of CBD. This approach is useful when ultimate valuation is based on an unverifiable outcome, such as an event outside of the Company's influence. The following additional assumptions are used in the model:

	<b>March 31,</b>	<b>December 31,</b>
	<b>2025</b>	<b>2024</b>
Stated interest rate	5.0%	5.0%
Adjusted interest rate	1.5%	1.5%
Implied debt yield	9.6%	9.9%
Federal regulation probability	Various	various
Year of event	Various	various

#### *Debt Conversion Option*

Per the debenture, the Lender has the option, at any time before the Maturity Date at no additional consideration, for all or any part of the principal amount to be converted into fully paid and non-assessable common shares. The Company assessed this conversion feature and determined that the debt conversion option is an embedded derivative that requires bifurcation and is classified as a financial liability within the condensed consolidated balance sheet. The debt conversion option is initially measured at fair value and is revalued at each reporting period using the Black-Scholes option pricing model based on Level 2 observable inputs. The assumptions used by the Company are the quoted price of the Company's common shares in an active market, risk-free interest rate, volatility and expected life, and assumes no dividends. Volatility is based on the actual historical market activity of the Company's shares. The expected life is based on the remaining contractual term of the debenture and the risk-free interest rate is based on the implied yield available on U.S. Treasury Securities with a maturity equivalent to the expected maturity of the debenture.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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For the three months ended March 31, 2025 and March 31, 2024, a gain of \$78 and a loss of \$56, respectively, related to the debt conversion option was recognized as a change in fair value of financial instruments in the condensed consolidated statements of operations. As of March 31, 2025 and December 31, 2024, the debt conversion option represents a financial liability of \$709 and \$786, respectively, within derivative and other long-term liabilities in the condensed consolidated balance sheets.

The following table provides the assumptions regarding Level 2 fair value measurements inputs at their measurement dates:

	<b>March 31,</b>	<b>December 31,</b>
	<b>2025</b>	<b>2024</b>
Expected volatility	87.9%	87.9%
Expected term (years)	4.6	4.9
Risk-free interest rate	4.1%	4.5%
Expected dividend yield	—%	—%
Value of underlying share	C\$0.13	C\$0.13
Exercise price	C\$2.00	C\$2.00

*Stanley Brothers USA Holdings Purchase Option*

In 2021, the Company entered into an option purchase agreement (the "SBH Purchase Option") with Stanley Brothers USA Holdings, Inc ("Stanley Brothers USA") . The SBH Purchase Option was purchased for total consideration of \$8,000 and has a term of five years (extendable for an additional two years upon payment of additional consideration). The SBH Purchase Option provides the Company the option to acquire all or substantially all the shares of Stanley Brothers USA, at a purchase price to be determined at the time of exercise of the SBH Purchase Option. The Company is not obligated to exercise the SBH Purchase Option. As part of the SBH Purchase Option agreement, Stanley Brothers USA issued the Company a warrant exercisable to purchase 10% of the outstanding Stanley Brothers USA shares and convertible securities that are considered in-the-money, subject to certain conditions and exclusions. The warrant is exercisable at the Company's election for a nominal exercise price in the event the Company elects not to acquire all or substantially all shares of Stanley Brothers USA and expires 60 days after the expiration of the option.

The Company elected the fair value option in accordance with ASC 825-10 guidance to record its SBH Purchase Option. The SBH Purchase Option is classified as a financial asset and is remeasured at fair value at each reporting date, with changes to fair value recognized in the condensed consolidated statements of operations for the period. The use of assumptions for the fair value determination includes a high degree of subjectivity and judgment using unobservable inputs (level 3 on the fair value hierarchy), which results in estimation uncertainty. Changes in assumptions that reasonably could have been different at the reporting date may result in a higher or lower determination of fair value. For the three months ended March 31, 2025, the Company determined that there is a highly unlikely probability that the Company will exercise the SBH Purchase Option. As such, the Company recognized a loss of \$52 within change in fair value of financial instruments in the condensed consolidated statements of operations, and the SBH Purchase Option represents a financial asset of nil within SBH purchase option and other derivative assets in the condensed consolidated balance sheets. For the three months ended March 31, 2024, the Company recognized a loss of \$951 related to the SBH Purchase Option within change in fair value of financial instruments in the condensed consolidated statements of operations. As of December 31, 2024, the SBH Purchase Option represents a financial asset of \$52 within SBH purchase option and other derivative assets in the condensed consolidated balance sheets.

**CHARLOTTE'S WEB HOLDINGS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands, except share, per share, per unit, and number of years)  
(unaudited)

The Monte Carlo valuation model considers multiple revenue and EBITDA outcomes for Stanley Brothers USA and other probabilities in assigning a fair value. Primary assumptions utilized include financial projections of Stanley Brothers USA and the probability and timing of exercise. As of March 31, 2025, the value of the SBH Purchase Option was nil as the exercising of the option is considered unlikely. The following additional assumptions are used in the fair value model of the SBH Purchase Option as of December 31, 2024:

	<b>December 31,</b>
	<b>2024</b>
Expected volatility	112.0%
Expected term (years)	1.2
Risk-free interest rate	4.9%
Weighted average cost of capital	52.9%

**4. INVENTORIES**

Inventories consist of the following:

	<b>March 31,</b>	<b>December 31,</b>
	<b>2025</b>	<b>2024</b>
Harvested Hemp and seeds	\$ 1,998	\$ 2,312
Raw materials	11,530	11,903
Finished goods	6,371	6,268
	19,899	20,483
Less: inventory provision	(983)	(1,576)
Total	\$ 18,916	\$ 18,907

**5. LICENSE AND MEDIA RIGHTS**

***MLB Promotion Rights Agreement***

On October 11, 2022, the Company entered into a Promotional Rights Agreement (the "MLB Promotional Rights Agreement") with MLB Advanced Media L.P., on its own behalf and on behalf of Major League Baseball Properties, Inc., the Office of the Commissioner of Baseball, The MLB Network, LLC and the Major League Baseball Clubs (collectively, the "MLB"), pursuant to which the Company entered into a strategic partnership with MLB to promote the Company's new NSF-Certified for Sport® product line. On May 13, 2025, the Company and MLB entered into a letter agreement ("PRA Letter Agreement") terminating the MLB Promotional Rights Agreement as of May 13, 2025 and waives the Company's obligation to pay the current and remaining aggregate rights fee of \$18 million for the remainder of the term of the MLB Promotional Rights Agreement.

As consideration under the MLB promotional rights agreement, the Company has paid a combination of cash over the license period, along with upfront non-cash consideration in the form of equity, as well as contingent consideration in the form of contingent payments based on revenue.

As of March 31, 2025 and December 31, 2024, the carrying value of the licensed properties was \$10,717 and \$11,691, respectively, recorded as a license and media rights asset within the condensed consolidated balance sheets. As of March 31, 2025 and December 31, 2024, the carrying value of the media rights was \$3,000, respectively, recorded as a prepaid asset and a license and media rights asset within the condensed consolidated balance sheets. For the three months ended March 31, 2025 and March 31, 2024, the Company paid the MLB \$0 and \$2,500, respectively, as part of the committed cash payments, and recognized \$974, respectively, in amortization expense related to the license and media right assets. Licensed properties are amortized straight line and media rights are amortized as incurred.

**CHARLOTTE'S WEB HOLDINGS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands, except share, per share, per unit, and number of years)  
(unaudited)

The PRA Letter Agreement terminates the MLB Promotional Rights Agreement and waives the Company's obligation to pay the current and remaining aggregate rights fee of \$18 million for the remainder of the term. Maturities of the MLB license and media rights payable as of March 31, 2025 are as follows:

2025 (9 months remaining)	\$	5,500
2026		6,000
2027		6,500
Total payments	\$	18,000
Less: Imputed interest		(836)
Total license and media rights payable	\$	17,164
Less: Current license liabilities		(7,937)
Total non-current license and media rights payable	\$	9,227

As of March 31, 2025, expected amortization of licensed properties are as follows:

2025 (9 months remaining)	\$	2,923
2026		3,897
2027		3,897
Total future amortization	\$	10,717

**6. DEBT**

*Convertible Debenture*

On November 14, 2022, the Company entered into the Subscription Agreement with BT DE Investments, Inc., providing for the issuance of a \$56.8 million (C\$75.3 million) convertible debenture. The debenture is denominated in Canadian Dollars ("CAD" or "C\$"). The debenture is convertible into 19.9% ownership of the Company's common shares at a conversion price of C\$2.00 per common share of the Company. The debenture will accrue interest at a stated annualized rate of 5% until such time that there is federal regulation permitting the use of CBD as an ingredient in food products and dietary supplements in the United States. Following federal regulation of CBD, the stated annualized rate of interest shall reduce to 1.5%. Interest is accrued annually and payable on the maturity date or date of earlier conversion. The maturity date for the debenture is November 14, 2029.

The following is a summary of the Company's convertible debenture as of March 31, 2025:

<b>Convertible Debenture</b>	<b>As of March 31, 2025</b>		
	Principal Amount	Unamortized Debt Discount and Costs	Net Carrying Amount
Convertible debenture due November 2029	\$ 58,812	\$ (14,059)	\$ 44,753

**CHARLOTTE'S WEB HOLDINGS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands, except share, per share, per unit, and number of years)  
(unaudited)

The following is a summary of the Company's convertible debenture as of December 31, 2024:

<b>Convertible Debenture</b>	<b>As of December 31, 2024</b>		
	Principal Amount	Unamortized Debt Discount and Costs	Net Carrying Amount
Convertible debenture due November 2029	\$ 58,172	\$ (14,541)	\$ 43,631

The debenture was C\$75.3 million per the subscription agreement and translated to USD on the transaction date. For the three months ended March 31, 2025 and March 31, 2024, the Company recognized a foreign currency gain of \$62 and \$925, respectively, related to the net carrying value of the debenture within the condensed consolidated statements of operations.

Interest is accrued annually and payable on the maturity date or date of earlier conversion. On conversion, accrued interest will either be converted into common shares equal to the amount of accrued interest or will be paid in cash if agreed with the Lender. As of March 31, 2025 and December 31, 2024, the principal amount of the debenture includes \$6,800 and \$6,078, respectively, of accrued interest expense. The following is a summary of the interest expense and amortization expense, recorded within the condensed consolidated statements of operations, of the Company's convertible debenture for the three months ended March 31, 2025 and 2024:

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
Interest expense	\$ 722	\$ 733
Amortization of debt discounts and costs	463	401
Total interest and amortization expense	\$ 1,185	\$ 1,134

**7. COMMITMENTS AND CONTINGENCIES**

**Legal Contingencies**

From time to time, the Company is a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. Although the ultimate aggregate amount of monetary liability or financial impact with respect to these matters is subject to many uncertainties and is therefore not predictable with assurance, management believes that as of March 31, 2025 there is no litigation pending that could have, individually and in the aggregate, a material adverse effect on the Company's financial position, results of operations or cash flows.

**8. LEASES**

The Company has lease arrangements related to office space, warehouse and production space, and land to facilitate agricultural operations. The leases have remaining lease terms of less than 0.4 to 9.9 years, some of which include options to extend the leases for up to five years. Generally, the lease agreements do not include options to terminate the lease.

**CHARLOTTE'S WEB HOLDINGS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands, except share, per share, per unit, and number of years)  
(unaudited)

Maturities of operating lease liabilities as of March 31, 2025 are as follows:

	<b>Operating Leases</b>
2025 (9 months remaining)	\$ 2,114
2026	2,176
2027	1,844
2028	1,762
2029	1,806
Thereafter	10,078
Total lease obligation	19,780
Less: Imputed interest	(4,679)
Total lease liabilities	15,101
Less: Current lease liabilities	1,844
Total non-current lease liabilities	\$ 13,257

**9. SHAREHOLDERS' EQUITY**

As of March 31, 2025 and December 31, 2024, the Company's share capital consists of one class of issued and outstanding shares: common shares. The Company is also authorized to issue preferred shares issuable in series. To date, no shares of preferred shares have been issued or are outstanding.

*Common Shares*

As of March 31, 2025 and December 31, 2024, the Company was authorized to issue an unlimited number of common shares, which have no par value.

**10. LOSS PER SHARE**

The Company computes loss per share of common shares. Basic net loss per common share is computed by dividing the net loss by the weighted-average number of common shares outstanding. Diluted loss per common share is computed by dividing the net loss by the weighted-average number of common shares together with the number of additional common shares that would have been outstanding if all potentially dilutive common shares had been issued, unless anti-dilutive.

The following table sets forth the computation of basic and dilutive net loss per share attributable to common shareholders:

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
Net loss	\$ (6,212)	\$ (9,634)
Weighted-average number of common shares - basic	158,009,541	156,036,670
Dilutive effect of stock options and awards	—	—
Weighted-average number of common shares - diluted	158,009,541	156,036,670
Loss per common share – basic and diluted	\$ (0.04)	\$ (0.06)

**CHARLOTTE'S WEB HOLDINGS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands, except share, per share, per unit, and number of years)

(unaudited)

As of March 31, 2025 and March 31, 2024, potentially dilutive securities include stock options, restricted share units, common share warrants, and convertible debenture conversion. When the Company recognizes a net loss from continuing operations, all potentially dilutive shares are anti-dilutive and are consequently excluded from the calculation of diluted net loss per share. The potentially dilutive awards outstanding for each period are presented in the table below:

	March 31,	
	2025	2024
Outstanding options	3,351,687	5,522,942
Outstanding restricted share units	4,409,234	3,750,000
Total	7,760,921	9,272,942

The Company's debenture is convertible into 19.9% ownership of the Company's common shares at a conversion price of C\$2.00 per common share of the Company. The Company can settle the convertible debenture in shares. If the convertible debenture in diluted EPS is anti-dilutive, or if the conversion value of the debenture does not exceed their conversion price for a reporting period, then the shares underlying the notes will not be reflected in the Company's calculation of diluted EPS. For the three months ended March 31, 2025, the price of the Company's shares did not exceed the conversion price and therefore there was no impact to potential common share diluted EPS during those periods.

**11. SHARE-BASED COMPENSATION**

*Stock options*

Stock options vest over a prescribed service period and are approved by the Company's board of directors on an award-by-award basis. Options have a prescribed service period generally lasting up to four years, with certain options vesting immediately upon issuance. Upon the exercise of any stock options, the Company issues shares to the award holder from the pool of authorized but unissued common shares.

There were no options granted for the three months ended March 31, 2025 and March 31, 2024. Detail of the number of stock options outstanding for the three months ended March 31, 2025 under the Company's 2015 legacy option plan and the Company's amended 2018 long term incentive plan (collectively, the "Plans") is as follows:

	Number of Options	Weighted- Average Exercise Price per Option	Weighted- Average Remaining Contract Term (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2024	3,513,079	\$ 0.88	7.30	\$ —
Granted	—	—		
Exercised	—	—		
Forfeited (and expired)	(161,392)	0.50		
Outstanding as of March 31, 2025	3,351,687	\$ 0.90	7.08	\$ —
Exercisable/vested as of March 31, 2025	2,813,055	\$ 1.01	6.78	\$ —

There were no options granted or exercised during the three months ended March 31, 2025 and March 31, 2024, respectively.

**CHARLOTTE'S WEB HOLDINGS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands, except share, per share, per unit, and number of years)  
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***Restricted share units***

The Company has issued time-based restricted share units to certain employees as permitted under the amended 2018 long term incentive plan ("the 2018 Plan"). The restricted share units granted vest in accordance with the board-approved agreement, typically over equal installments up to four years. Upon vesting, one common share of the Company is issued for each restricted share unit awarded. The fair value of each restricted share unit granted is equal to the market price of the Company's shares at the date of the grant. There were no shares vested during the three months ended March 31, 2025. The fair value of shares vested during the three months ended March 31, 2024 was \$869.

Details of the number of restricted share units outstanding under the 2018 Plan is as follows:

	<b>Number of Shares</b>	<b>Weighted-Average Grant Date Fair Value</b>
Outstanding as of December 31, 2024	4,485,077	\$ 0.26
Granted	—	\$ —
Forfeited	(75,843)	\$ 0.21
Vested	—	\$ —
Shares withheld upon vesting	—	\$ —
Outstanding as of March 31, 2025	4,409,234	\$ 0.26

***Share-based Compensation Expense***

Share-based compensation expense for all equity arrangements for the three months ended March 31, 2025 and March 31, 2024 was \$187 and \$842, respectively, included in selling, general and administrative expense in the condensed consolidated statements of operations. As of March 31, 2025, \$1,121 of total unrecognized share-based compensation expense related to unvested options granted to employees is expected to be recognized over a weighted-average period of 1.33 years.

**12. INCOME TAXES**

The Company reported income tax expense of \$0 and \$16 for the three months ended March 31, 2025 and 2024, respectively. The Company's effective tax rate in the three months ended March 31, 2025 and 2024 was 0.0% and (0.2)%, respectively. The Company's effective tax rates differ from the U.S. federal statutory rate of 21.0% for the three months end March 31, 2025 and 2024, respectively, primarily due to the valuation allowance. The effective tax rate for the three months ended March 31, 2025 is consistent with the three months ended March 31, 2024, as the Company has been in a full valuation allowance for both periods.

**13. OPERATING SEGMENT**

***Segment information***

The Company has determined that it operates in a single operating and reportable segment, which is the production and sale of hemp-based CBD wellness products, which makes up substantially all of the revenue at this time. This is consistent with how the chief operating decision maker (the "CODM") allocates resources and assesses performance. The Company's CODM is the executive operations committee that includes the chief executive officer, the chief financial officer, the chief operations officer and the chief people officer. The majority of Company's products have similar characteristics due to the same raw material ingredient (CBD and derivatives), similar nature of cultivation process, the type of customer and the regulatory nature of the industry.

The CODM assesses performance for this segment and decides how to allocate resources based on pre-tax net income/(loss) that is reported on the consolidated statement of operations. The measure of segment assets is reported on the consolidated balance sheets as total

## CHARLOTTE'S WEB HOLDINGS, INC.

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share, per share, per unit, and number of years)  
(unaudited)

assets. For the three months ended March 31, 2025 and 2024, the segment's revenues and pre-tax net loss were \$12,262 and \$12,124; and \$(6,212) and \$(9,618), respectively. There are no differences between segment revenues, pre-tax net income/(loss) and the Company's consolidated revenues and pre-tax net income/(loss).

#### ***General Information***

*Factors used to Identify Reportable Segments:* The Company operates as a single reportable segment, focusing primarily on the production and sale of hemp-based CBD wellness products.

*Products and Services:* The Company's revenue is primarily derived from the production and sale of hemp-based CBD wellness products.

*Chief Operating Decision Maker (CODM):* The Company's Chief Executive Officer, the Chief Financial Officer, the Chief Operations Officer, and the Chief People Officer.

*Measure of Segment Profit or Loss and Total Assets:* The CODM evaluates performance and allocates resources based on pre-tax net income/(loss), as presented in the accompanying financial statements. The measure of segment assets is reported on the balance sheet as total consolidated assets.

#### ***Significant Segment Expenses***

The following significant expenses are regularly reviewed by the CODM for the three months ended March 31, 2025 and 2024: Cost of goods sold \$6,032 and \$5,213, respectively; Selling, general, and administrative expenses \$11,578 and \$15,280, respectively; Change in fair value of financial instruments \$(126) and \$(1,860), respectively; and Depreciation and Amortization \$2,449 and \$2,493, respectively.

**CHARLOTTE'S WEB HOLDINGS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands, except share, per share, per unit, and number of years)  
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***Reconciliation to Consolidated Financial Statements***

As the Company operates as a single reportable segment, the amounts presented above align directly with the consolidated totals in the financial statements.

	<b>For the Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
Product Revenue	\$ 12,187	\$ 11,813
Service Revenue	75	311
Total Revenue	\$ 12,262	\$ 12,124
Cost of goods sold	6,032	5,213
Gross profit	\$ 6,230	\$ 6,911
Gross profit %	50.8 %	57.0 %
Selling, general, and administrative expenses	11,578	15,280
Operating loss	\$ (5,348)	\$ (8,369)
Change in fair value of financial instruments	(126)	(1,860)
Other income (expense), net	(738)	611
Loss before provision for income taxes	\$ (6,212)	\$ (9,618)
<b><u>Other segment information</u></b>		
Depreciation/Amortization	2,449	2,493
Total assets	108,023	141,778
Long-term liabilities	68,473	75,478

**14. RELATED PARTY TRANSACTIONS**

Effective November 2020, the Company issued a secured promissory note, where \$1,000 was loaned to one of the Stanley Brothers. The note receivable was secured by equity instruments with certain of the Stanley Brothers, bore interest at 3.25% per annum, and required the unpaid principal and unpaid interest balances to be paid on or before the maturity date of November 13, 2021, which date was subsequently extended. Effective November 13, 2024, the Company entered into a third amendment of the promissory note to extend the maturity date until November 13, 2029. According to the terms of the agreement, no additional interest will accrue through the payment date. The note has been fully reserved for as of December 31, 2024.

On March 2, 2021, the Company entered into the SBH Purchase Option with Stanley Brothers USA as discussed above (Note 3 "Fair Value Measurement"). The SBH Purchase Option was purchased for total consideration of \$8,000. Certain members of the Stanley Brothers, who are or were employees of the Company at the time, are the majority shareholders of Stanley Brothers USA.

Effective January 5, 2023, the Company entered into a Brand License and Option Agreement with JMS Brands LLC, an entity owned by one of the Stanley Brothers. Pursuant to the Brand License and Option Agreement, the Company licensed certain intellectual property from JMS Brands LLC, for an annual license fee of \$500. As of January 5, 2024, the Brand License and Option Agreement has expired.

On April 6, 2023, the Company jointly formed an entity, DeFloria, with AJNA and BAT. AJNA is a botanical drug development company. AJNA is partially owned and was co-founded by a member of the Stanley Brothers. BAT holds an equity interest in the entity in the form of 2,000,000 preferred units following its \$10 million investment and has the right to participate in future equity issuances to maintain its

## CHARLOTTE'S WEB HOLDINGS, INC.

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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pro rata equity position. The Company and AJNA each hold 4,000,000 of the entity's voting common units (Note 3). Effective May 1, 2023, the Company entered into an 8% interest bearing note receivable with DeFloria for the sale of lab equipment in the amount of \$170. The principal and interest of the note receivable will be paid in 36 monthly installments. As of March 31, 2025 and December 31, 2024, the remaining note receivable of \$51 and \$71, respectively, is presented in other assets in the condensed consolidated balance sheets. Additionally on February 12, 2024, the Company and DeFloria entered into a separate master services agreement pursuant to which the Company will be compensated for the provision of certain services to DeFloria. For the three months ended March 31, 2025 and March 31, 2024, the Company recognized \$75 and \$311 in revenue and cost of goods sold, respectively, related to the service agreement with DeFloria. Additionally, the Company has an accounts receivable balance due from DeFloria of \$342 and \$648 as of March 31, 2025 and December 31, 2024, respectively.

On June 21, 2024, the Company entered into a consulting agreement with Jared Stanley, former executive of the Company, and current member of the Board of Directors. In consideration for Mr. Stanley's services, he receives a bi-weekly fee of \$6.

#### 15. SUBSEQUENT EVENTS

The Company and MLB entered into the PRA Letter Agreement terminating the MLB Promotional Rights Agreement as of May 13, 2025 and waives the Company's obligation to pay the remaining aggregate rights fee of \$18 million for the current and remainder of the term of the MLB Promotional Rights Agreement.