

AMBARI BRANDS INC.

Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

AMBARI BRANDS INC.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

	As at September 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
ASSETS		
Current assets		
Cash	\$ 254,517	\$ 1,687,620
Amounts receivable (Note 5)	47,077	21,083
Loan receivable (Note 12)	415,463	403,841
Prepaid expenses and deposits (Note 6)	449,257	63,904
Inventory (Note 7)	735,612	652,356
Total assets	\$ 1,901,926	\$ 2,828,804
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 8 and 12)	\$ 244,873	\$ 173,860
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	6,850,806	3,090,622
Commitment to issue shares (Note 9)	-	3,910,184
Accumulated other comprehensive income (loss)	9,695	(45,160)
Reserves (Note 9)	209,413	209,413
Deficit	(5,412,861)	(4,510,115)
Total shareholders' equity	1,657,053	2,654,944
Total liabilities and shareholders' equity	\$ 1,901,926	\$ 2,828,804

Nature and continuance of operations – Note 1

Subsequent event – Note 15

APPROVED ON BEHALF OF THE BOARD:

"Avneesh Dhaliwal"

Director

"Gurcharn Deol"

Director

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

AMBARI BRANDS INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue (Note 10)	\$ 68,002	\$ 14,999	\$ 176,176	\$ 62,292
Cost of sales (Note 7)	42,731	31,201	77,773	78,161
Gross profit (loss)	25,271	(16,202)	98,403	(15,869)
Expenses				
Advertising and promotion	137,737	1,256,762	495,375	1,657,494
Consulting fees (Note 12)	53,693	55,493	118,010	87,524
General and administrative (Note 11)	73,052	24,369	138,524	62,152
Professional fees	73,895	73,992	225,890	100,294
Research and development	5,056	2,365	7,777	2,365
Salaries and benefits (Note 12)	8,367	-	25,102	-
Total expenses	(351,800)	(1,412,981)	(1,010,678)	(1,909,829)
Other Items				
Foreign exchange gain (loss)	(4,126)	12	(4,059)	(1,731)
Interest income (Note 12)	4,796	4,341	13,588	12,714
Net loss for the period	(325,859)	(1,424,830)	(902,746)	(1,914,715)
Exchange difference on translating foreign operations	48,053	951	54,855	5,259
Comprehensive loss for the period	\$ (277,806)	\$ (1,423,879)	\$ (847,891)	\$ (1,909,456)
Loss per common share – basic and diluted	\$ (0.01)	\$ (0.03)	\$ (0.02)	\$ (0.04)
Weighted average number of common shares outstanding – basic and diluted	48,534,242	46,560,178	42,973,638	49,154,540

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AMBARI BRANDS INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

	Number of Shares	Share Capital	Commitment to Issue Shares	Accumulated Other Comprehensive Income (Loss)	Reserves	Deficit	Total
Balance, December 31, 2020	50,473,221	\$ 3,090,622	\$ -	\$ (24,590)	\$ 17,434	\$ (848,197)	\$ 2,235,269
Share cancellations (Note 9)	(10,000,000)	-	-	-	-	-	-
Private placement of special warrants (Note 9)	-	-	3,322,850	-	-	-	3,322,850
Share issue costs (Note 9)	-	-	(502,329)	-	138,869	-	(363,460)
Translation adjustment	-	-	-	5,259	-	-	5,259
Loss for the period	-	-	-	-	-	(1,914,715)	(1,914,715)
Balance, September 30, 2021	40,473,221	\$ 3,090,622	\$ 2,820,521	\$ (19,331)	\$ 156,303	\$ (2,762,912)	\$ 3,285,203
Balance, December 31, 2021	40,473,221	\$ 3,090,622	\$ 3,910,184	\$ (45,160)	\$ 209,413	\$ (4,510,115)	\$ 2,654,944
Share repurchase (Note 9)	(500,000)	(150,000)	-	-	-	-	(150,000)
Conversion of special warrants (Note 9)	11,093,154	3,910,184	(3,910,184)	-	-	-	-
Translation adjustment	-	-	-	54,855	-	-	54,855
Loss for the period	-	-	-	-	-	(902,746)	(902,746)
Balance, September 30, 2022	51,066,375	\$ 6,850,806	\$ -	\$ 9,695	\$ 209,413	\$ (5,412,861)	\$ 1,657,053

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

AMBARI BRANDS INC.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Nine months ended September 30, 2022		Nine months ended September 30, 2021	
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net loss for the period	\$	(902,746)	\$	(1,914,715)
Items not affecting cash:				
Accrued interest income		(11,622)		(11,452)
Foreign exchange loss		4,059		1,731
Change in non-cash working capital items:				
Amounts receivable		(25,994)		(15,666)
Prepaid expenses and deposits		(385,353)		(125,638)
Inventory		(83,256)		(197,814)
Accounts payable and accrued liabilities		71,013		100,681
Net cash used in operating activities		(1,333,899)		(2,162,873)
INVESTING ACTIVITIES				
Loan receivable		-		(388,472)
FINANCING ACTIVITIES				
Issuance of special warrants		-		3,322,850
Repurchase of common shares		(150,000)		-
Share issue costs		-		(363,460)
Net cash provided by (used in) financing activities		(150,000)		2,959,390
Foreign exchange on cash		50,796		3,528
Change in cash for the period		(1,433,103)		411,573
Cash, beginning of the period		1,687,620		1,930,960
Cash, end of the period	\$	254,517	\$	2,342,533
Cash paid for interest during the period				
	\$	-	\$	-
Cash paid for income taxes during the period				
	\$	-	\$	-

Non-cash transactions affecting cash flows from investing and financing activities:

	Nine months ended September 30, 2022		Nine months ended September 30, 2021	
Fair value of agent compensation options	\$	-	\$	138,869

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

AMBARI BRANDS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

1 Nature and continuance of operations

Ambari Brands Inc. (the "Company") was incorporated pursuant to the Business Corporations Act (British Columbia) on June 20, 2019. The Company is a luxury skincare and consumer packaged goods company and has developed a product line on its proprietary "Modern Blend". The Company's common shares trade on the Canadian Securities Exchange (the "CSE") under the trading symbol "AMB", the OTCQB Venture Market under the symbol "AMBBF" and the Frankfurt Stock Exchange under the symbol "Y92". The Company's head office and registered and records office address is Suite 220 – 333 Terminal Avenue, Vancouver, British Columbia, Canada, V6A 4C1.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the nine months ended September 30, 2022, the Company had negative cash flows from operations of \$1,333,899, a net loss of \$902,746, and as at that date an accumulated deficit of \$5,412,861. As at September 30, 2022, the Company had working capital of \$1,657,053. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise financing and generate profits and positive cash flows from operations in order to cover its operating costs. From time to time, the Company generates working capital to fund its operations by raising additional capital through the issuance of equity. However, there is no assurance it will be able to continue to do so in the future. These condensed consolidated interim financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the Company's condensed consolidated interim financial statements.

Since March 2020, there has been a global pandemic due to the outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. The extent to which COVID-19 may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time. COVID-19 may impact the Company's ability to raise future financing.

The Company's business, financial condition, and results of operations may be further negatively affected by economic and other consequences from Russia's military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy and the cosmetics industry and other industries in general could negatively affect the business and may make it more difficult to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position, and cash flows in the future.

AMBARI BRANDS INC.

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2 Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), including International Accounting Standards (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”), and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed consolidated interim financial statements do not include all the disclosures required for the annual audited financial statements. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2021.

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are stated at fair value. In addition, they have been prepared using the accrual basis of accounting, except for the cash flow information.

The condensed consolidated interim financial statements were approved and authorized for issuance on November 28, 2022 by the Board of Directors.

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, Ambari Beauty USA, Inc (“Ambari USA”). All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an entity, when the Company is exposed, or has rights, to variable returns from the entity and when the Company has the ability to affect those returns through its power over the entity. Subsidiaries are included in the financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control.

Foreign currencies

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of the Company is the Canadian dollar (“CAD”). The functional currency of Ambari USA is the United States dollar (“USD”).

The presentation currency of the Company and Ambari USA is the Canadian dollar.

Accordingly, the accounts of Ambari USA are translated into CAD as follows:

- all of the assets and liabilities are translated at the rate of exchange in effect on the date of the statement of financial position;
- income and expense are translated at the exchange rate approximating those in effect on the date of the transactions; and
- exchange gains and losses arising from translation are included in accumulated other comprehensive income (loss).

AMBARI BRANDS INC.

Notes to the Condensed Consolidated Interim Financial Statements

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2 Basis of preparation *(continued)*Foreign currencies *(continued)*

Transactions occurring in currencies other than the functional currency of the entity in question are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the initial transaction. Non-monetary items that are measured at fair values are reported at the exchange rate on the date when fair values are determined. Foreign currency translation differences are recognized in profit or loss.

Use of accounting estimates and judgments

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

Determination of the functional currency

In determining the functional currency of the Company and its subsidiary, management considered the currency that mainly influences the cost of providing goods and services in the primary economic environment in which each entity operates, or if there has been a change in events or conditions that determined the primary economic environment.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The factors considered by management are disclosed in Note 1.

Inventory

Inventory consists of raw materials and finished goods recorded at the lower of cost and net realizable value. Inventory represents a significant portion of the asset base of the Company and its value is reviewed at each reporting period. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, expiry, damage or slow moving. Actual net realizable value can vary from the estimated provision.

AMBARI BRANDS INC.

Notes to the Condensed Consolidated Interim Financial Statements

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2 Basis of preparation (continued)Use of accounting estimates and judgments (continued)*Trade receivable and loan receivable*

The Company's assessment of collectability of its trade receivable and loan receivable requires judgment. In assessing whether an allowance is necessary, the Company uses historical trends to determine the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

3 Significant accounting policies

These condensed consolidated interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as the Company's audited annual consolidated financial statements for the year ended December 31, 2021 and should be read in conjunction with those annual consolidated financial statements and the notes thereto.

4 Basis of fair value

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

The Company's financial instruments consist of cash, trade receivables, loan receivable, and accounts payable and accrued liabilities.

The carrying value of the Company's financial instruments approximate their fair values due to their short-term maturities.

AMBARI BRANDS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

5 Amounts receivable

	As at September 30, 2022	As at December 31, 2021
Trade receivables	\$ 30,818	\$ 4,497
Sales tax receivable	16,259	16,586
	\$ 47,077	\$ 21,083

6 Prepaid expenses and deposits

	As at September 30, 2022	As at December 31, 2021
Retainers and prepayments for services	\$ 351,866	\$ -
Deposits on inventory	67,516	63,904
Prepaid insurance	29,875	-
	\$ 449,257	\$ 63,904

7 Inventory

	As at September 30, 2022	As at December 31, 2021
Finished goods	\$ 528,991	\$ 375,115
Raw materials	206,621	174,357
In transit	-	102,884
	\$ 735,612	\$ 652,356

During the nine months ended September 30, 2022, cost of sales include \$31,876 (September 30, 2021 - \$78,161) of inventory and impairment losses related to inventory of \$27,242 (September 30, 2021 - \$nil). The remaining costs of sales comprise of fulfilment costs.

8 Accounts payable and accrued liabilities

	As at September 30, 2022	As at December 31, 2021
Trade payables	\$ 201,253	\$ 99,977
Accrued and other liabilities	43,620	73,883
	\$ 244,873	\$ 173,860

AMBARI BRANDS INC.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

9 Share capital

Authorized

Unlimited common shares, without par value.

Common Shares Held in Escrow

As at September 30, 2022, 10,192,500 common shares were held in escrow and restricted from trading. These common shares will be released from escrow as follows: 1,698,750 common shares released on January 25, 2023, 1,698,750 common shares released on July 25, 2023, 1,698,750 common shares released on January 25, 2024, 1,698,750 common shares released on July 25, 2024, 1,698,750 common shares released on January 25, 2025, and 1,698,750 common shares released on July 25, 2025.

Issued, Cancelled, Commitment to Issue

During the nine months ended September 30, 2022:

On March 4, 2022, the Company repurchased and cancelled 500,000 common shares and 250,000 warrants, which were issued in connection with the unit private placement completed on February 18, 2020 for consideration of \$150,000 pursuant to a Unit Purchase Agreement.

On July 21, 2022, 9,175,700 special warrants issued during the year ended December 31, 2021 automatically converted in accordance with the underlying terms (detailed below), and as a result the Company issued the following:

- 9,175,700 units with each unit comprised of one common share and one-half of one warrant. Each whole warrant is exercisable into one common share at an exercise price of \$0.75 per common share and expires two years from the closing date of the special warrants financings.
- 1,917,454 additional units for consideration of \$nil with each unit comprised of one common share and one-half of one warrant. Each whole warrant is exercisable into one common share at an exercise price of \$0.75 per common share and expires two years from the closing date of the special warrants financings.
- 153,396 additional agent compensation options (“ACOs”) for consideration of \$nil. Each ACO is exercisable into one unit (an “ACO Unit”) at a price of \$0.50 per ACO Unit for a period of two years from the closing date of the special warrants financings. Each ACO Unit will consist of one common share (an “ACO Share”) and one-half of one warrant (each whole warrant an “ACO Warrant”), each such ACO Warrant will be exercisable to acquire one common share (an “ACO Warrant Share”) at an exercise price of \$0.75 per ACO Warrant Share until July 25, 2024.

During the year ended December 31, 2021:

On August 25, 2021, the Company cancelled and returned to treasury 10,000,000 common shares for consideration of \$nil.

AMBARI BRANDS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

9 Share capital *(continued)*

Issued, Cancelled, Commitment to Issue *(continued)*

The Company closed a private placement of special warrants on September 8, 2021 (the “Closing Date”) and issued 6,645,700 special warrants for aggregate gross proceeds of \$3,322,850. Each special warrant entitled the holder to acquire, without further payment, one unit. Each unit is comprised of one common share and one-half of one warrant. Each warrant is exercisable into one common share at an exercise price of \$0.75 per share for two years from the Closing Date. Each special warrant automatically converted on July 21, 2022 (the “Qualification Date”) being the date that was the earlier of: (a) the third business day after the date on which a receipt for a final prospectus qualifying the distribution of the units underlying the special warrants is issued by the securities regulators in the qualifying jurisdictions (the “Final Receipt”); and (b) twelve (12) months and one day following the Closing Date.

As the Company did not receive the Final Receipt within 120 days following the Closing Date, each unexercised special warrant entitled the holder thereof to receive upon the exercise thereof, at no additional consideration, one-and-one-tenth (1.10) units (instead of one unit) and thereafter at the end of each additional thirty (30) day period prior to the Qualification Date an additional one-fiftieth (0.02) of a unit (the “Penalty Provision”). Each special warrant was automatically converted for 1.22 units.

The Company paid commissions and fees totaling \$363,460 and issued 531,656 agent compensation options to the agent of the special warrant private placement. Each ACO is exercisable into an ACO Unit at a price of \$0.50 per ACO Unit for a period of 24 months. Each ACO Unit will consist of an ACO Share and one-half of one (1/2) warrant with each such ACO Warrant exercisable to acquire an ACO Warrant Share at an exercise price of \$0.75 per ACO Warrant until July 25, 2024. The ACOs were subject to the Penalty Provision, and as a result an additional 116,964 ACOs were issued on the Qualification Date.

The fair value of the agent compensation options was determined to be \$138,869 using the Black Scholes option pricing model with the following assumptions – share price on grant date of \$0.50; risk-free interest rate of 0.39%; dividend yield of 0%; expected volatility of 100%; expected life of 2 years and forfeiture rate of 0%.

In connection with the private placement of special warrants which closed on September 8, 2021, the agent exercised its over-allotment option; and as a result the Company issued an additional 2,530,000 special warrants for aggregate gross proceeds of \$1,265,000 on November 9, 2021 (the “Second Tranche Closing Date”). Each special warrant entitled the holder to acquire, without further payment, one unit. Each unit is comprised of one common share and one-half of one warrant. Each warrant is exercisable into one common share at an exercise price of \$0.75 per share for two years from the Second Tranche Closing Date. Each special warrant automatically converted on the Qualification Date.

As the Company did not receive the Final Receipt within 120 days following the Second Tranche Closing Date, each unexercised special warrant entitled the holder thereof to receive upon the exercise thereof, at no additional consideration, one-and-one-tenth (1.10) units (instead of one unit) and thereafter at the end of each additional thirty (30) day period prior to the Qualification Date an additional one-fiftieth (0.02) of a unit. Each special warrant was automatically converted for 1.18 units.

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9 Share capital (continued)Issued, Cancelled, Commitment to Issue (continued)

The Company paid commissions and fees of \$122,227 and issued 202,400 agent compensation options to the agent of the special warrant private placement. Each ACO is exercisable into one ACO Unit at a price of \$0.50 per ACO Unit for a period of 24 months. Each ACO Unit will consist of one ACO Share and one-half of one (1/2) warrant, each such ACO Warrant will be exercisable to acquire one ACO Warrant Share at an exercise price of \$0.75 per ACO Warrant Share until July 25, 2024. The ACOs were subject to the Penalty Provision, and as a result an additional 36,432 ACOs were issued on the Qualification Date.

The fair value of the agent compensation options was determined to be \$53,110 using the Black Scholes option pricing model with the following assumptions – share price on grant date of \$0.50; risk-free interest rate of 0.92%; dividend yield of 0%; expected volatility of 100%; expected life of 2 years and forfeiture rate of 0%.

As at December 31, 2021, the balance of commitment to issue shares of \$3,910,184 was comprised of gross proceeds from the issuance of special warrants of \$4,587,850, less share issue costs paid of \$485,687 and the fair value of agent compensation options issued of \$191,979. During the nine months ended September 30, 2022, the balance of commitment to issue shares was reclassified to share capital upon the conversion of special warrants to units.

Warrants

	Number of Warrants		Weighted Average Exercise Price
Outstanding, December 31, 2020	3,644,462	\$	0.50
Issued – Agents' compensation option	734,056		0.50
Outstanding, December 31, 2021	4,378,518		0.50
Issued – Conversion of special warrants	5,546,577		0.75
Issued – Agents' compensation option	153,396		0.50
Cancelled	(250,000)		0.50
Outstanding, September 30, 2022	9,828,491	\$	0.64

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9 Share capital (continued)Warrants (continued)

As at September 30, 2022, the following warrants were outstanding:

Outstanding	Exercise Price	Remaining Life (Years)	Expiry Date
648,620 ⁽¹⁾	\$0.50	September 8, 2023	0.94
4,053,877	\$0.75	September 8, 2023	0.94
238,832 ⁽¹⁾	\$0.50	November 9, 2023	1.11
1,492,700	\$0.75	November 9, 2023	1.11
3,394,462	\$0.50	July 25, 2024	1.82
9,828,491			

- ⁽¹⁾ Exercisable into one ACO Unit which will consist of one ACO Share and one-half of one (1/2) warrant, each such ACO Warrant will be exercisable to acquire one ACO Warrant Share at an exercise price of \$0.75 per ACO Warrant Share until July 25, 2024.

10 Revenue

The Company generates revenue from the sale of skincare products directly to consumers and to luxury department stores, and on a wholesale basis to distributors and spas.

The Company's revenue disaggregated by primary geographical markets is as follows:

Nine months ended September 30, 2022							
	Direct Consumers	Distributors	Retailers	Other		Total	
United States	\$ 78,479	\$ -	\$ 39,006	\$ 6,885	\$	124,370	
European Union	-	49,092	-	-		49,092	
Other	2,714	-	-	-		2,714	
	\$ 81,193	\$ 49,092	\$ 39,006	\$ 6,885	\$	176,176	

Nine months ended September 30, 2021							
	Direct Consumers	Distributors	Retailers	Other		Total	
United States	\$ 38,498	\$ -	\$ 23,794	\$ -	\$	62,292	

For the nine months ended September 30, 2022 and 2021, the following revenue was recorded from customers that comprise 10% or more of revenue:

Nine months ended September 30,			
	2022	2021	
Customer A	\$ 18,041	\$ -	
Customer B	\$ 20,781	\$ 19,555	
Customer C	\$ 49,092	\$ -	

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(Unaudited)

11 General and administrative expenses

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Bank charges	\$ 4,977	\$ 1,563	\$ 19,429	\$ 5,755
Dues and subscriptions	4,492	-	12,175	-
Insurance	17,553	31	26,402	8,898
Rent	6,034	9,431	34,229	19,080
Regulatory and filing fees	38,480	-	38,480	-
Office expenses	1,516	13,344	7,809	28,419
	\$ 73,052	\$ 24,369	\$ 138,524	\$ 62,152

12 Related party transactions and balances

Related party transactions are comprised of services rendered by directors and/or officers of the Company or by a company with a director and/or officer in common. Related party transactions are in the ordinary course of business and are measured at the exchange amount.

Key management compensation

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and include the Company's executive officers and members of the Board of Directors. Key management compensation consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<u>Consulting fees:</u>				
Harmony Corporate Services Ltd; a company controlled by Geoff Balderson, Former Corporate Secretary, President and CEO	\$ -	\$ 2,500	\$ -	\$ 6,000
Spiral Investment Corp.; a company controlled by Charn Deol, Director	9,000	-	9,000	-
<u>Salaries and benefits:</u>				
Kate-Lynn Genzel, Chief Financial Officer and Director	7,800	-	23,400	-
	\$ 16,800	\$ 2,500	\$ 32,400	\$ 6,000

AMBARI BRANDS INC.

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For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

12 Related party transactions and balances *(continued)*Loan receivable

On January 4, 2021, the Company entered into a loan agreement for a principal balance of \$388,472 payable by the Company's CEO, Avneesh Dhaliwal (the "CEO Loan Agreement"). The loan was provided to Ms. Dhaliwal for the purpose of purchasing common shares of the Company from former shareholders. The principal balance accrued interest at a rate of 4% per annum. The principal balance and all accrued interest thereon were due within 30 business days of the Company providing written notice of demand to Ms. Dhaliwal. The loan was repayable to the Company at any time without further bonus or penalty.

As at September 30, 2022, the balance of loan receivable of \$415,463 (December 31, 2021 - \$403,841) was comprised of principal of \$388,472 (December 31, 2021 - \$388,472) and accrued interest of \$26,991 (December 31, 2021 - \$15,369) related to the CEO Loan Agreement.

During the three and nine months ended September 30, 2022, the Company accrued interest income with respect to the CEO Loan Agreement of \$3,917 (September 30, 2021 - \$3,916) and \$11,622 (September 30, 2021 - \$11,452), respectively.

Subsequent to the nine months ended September 30, 2022, the Company and Ms. Dhaliwal entered into a share purchase agreement pursuant to which Ms. Dhaliwal returned 971,180 common shares of the Company in exchange for the settlement of the CEO Loan Agreement (Note 15).

Accounts payable and accrued liabilities

As at September 30, 2022, accounts payable and accrued liabilities includes \$9,450 (December 31, 2021 - \$nil) related to consulting fees due to Spiral Investment Corp., a company controlled by Charn Deol, Director. The amount is unsecured, non-interest bearing, and has no fixed terms of repayment.

As at September 30, 2022, accounts payable and accrued liabilities includes \$nil (December 31, 2021 - \$9,000) related to consulting fees due to Harmony Corporate Services Ltd., a company controlled by Geoff Balderson, Former Corporate Secretary, President and CEO. The amount was unsecured, non-interest bearing, and had no fixed terms of repayment.

13 Capital management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital. In order to fund future product developments and pay for general administrative costs, the Company will raise additional amounts as needed.

AMBARI BRANDS INC.

Notes to the Condensed Consolidated Interim Financial Statements

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13 Capital management *(continued)*

The Company reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company considers shareholders' equity and working capital as components of its capital base. The Company may access capital through the issuance of shares or the disposition of assets. Management historically funds the Company's expenditures by issuing share capital rather than using capital sources that require fixed repayments of principal and/or interest. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto. There was no change to the Company's approach to capital management during the nine months ended September 30, 2022.

14 Risk management and liquidity

The Company's risk exposures and the impact on the Company's condensed consolidated interim financial statements are summarized below.

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, amounts receivable and loan receivable. The risk arises from the non-performance by counterparties of contractual financial obligations. To minimize credit risk, the Company places cash with high credit quality financial institutions. The Company's amounts receivable consist of input tax credits due from the Government of Canada and sales orders due from reputable luxury department stores and third party credit card processing services; and as such, amounts receivable are not subject to significant credit risk. Loan receivable is due from the Company's CEO who is a significant shareholder of the Company; and credit risk is considered insignificant.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The interest earned on cash is insignificant and the Company's loan receivable accrues interest income at a fixed rate. The Company does not rely on interest income to fund its operations and does not have any interest bearing debt.

Liquidity risk

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next 12 months. The Company intends to settle these with funds from its positive working capital position.

Foreign currency risk

The Company may be exposed to foreign currency risk on fluctuations related to cash balances and trade receivables that are denominated in a foreign currency. As at September 30, 2022, the Company held cash denominated in US dollars of US\$14,620 (December 31, 2021 – US\$3,028) and trade receivables denominated in Euros of €17,030 (December 31, 2021 - €nil) which expose the Company to foreign currency exchange rate risk, which could have an adverse effect on the profitability of the Company. The Company currently does not plan to enter into foreign currency future contracts to mitigate this risk as the Company consider this risk to be immaterial.

AMBARI BRANDS INC.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

15 Subsequent event

On November 16, 2022, the Company and the Company's CEO, Avneesh Dhaliwal, entered into a share purchase agreement pursuant to which Ms. Dhaliwal returned 971,180 common shares of the Company in exchange for the settlement of the CEO Loan Agreement (Note 12). 971,180 common shares of the Company were subsequently cancelled and returned to treasury.