CHILL BRANDS GROUP PLC

(“Chill Brands” or the **“Company”** or the **“Group”)**

Half Year Results for the Six Months Ended 30 September 2023

Chill Brands Group, the consumer packaged-goods distribution company, announces its unaudited half year results for the six months ending 30 September 2023 (the “**Period**”).

Summary

During the Period the Company focused on the launch of its ‘Chill ZERO’ nicotine-free vape products and the expansion of its e-commerce marketplace on the Chill.com website, however progress in these areas only started to be reflected in sales post the Period end. In particular, the Company announced sales of its Chill ZERO products to significant retailers in both the UK and USA during Q3, leading to a notable improvement in the Company’s trading performance.

The Company was sustained during the Period by funds raised in March and April 2023 with a combined total of £3.1 million (before expenses). The Company has deployed these funds for working capital purposes and to grow the distribution and sales of its products.

In addition, post the period end, over £3 million of convertible loan notes raised during the previous financial year were converted to equity. This follows the approval of the Company’s prospectus, published on 30 November 2023.

Revenues recorded during the Period represent a 325% increase on the prior year interim period. This reflects initial sales of the Company’s vape products, commissions earned on products sold by third-party brands on the Chill.com website, and continued sales of certain legacy products including CBD oral chew pouches. Excluding expenses related to the writing down of legacy product inventory, sales of the Company’s products during the period achieved a margin of 31.9%.

Since the end of the Period the Company has experienced a sustained improvement in trading conditions driven by rapid growth in sales of its vape products. Due to this much improved sales performance and successful expansion through new distribution agreements, the Company expects to record substantially higher revenues during the second half of the financial year, reflecting the positive impact of the Company’s new product focus on overall business development.

Financial Overview

During the half year Period the Company recorded revenues of £83,392 (prior interim period: £19,610), an increase on the £82,840 recorded during the prior full financial year ending 30 March 2023.

Sales of the Company’s products resulted in a gross profit of £1,153 (prior interim period: loss of £30,128). The Company’s profit margin for the Period was impacted by the recording of costs associated with writing-off legacy CBD inventory. Excluding obsolete inventory expenses, the Company achieved a margin on sales of 31.9%. The Company anticipates that its profit margins will improve due to the high-margin nature of its core vape product. It is further expected that unit costs will improve due to economies of scale, driven by larger manufacturing runs made possible by heightened demand for the Company's products.

The Company recorded a reduced operating loss of £1,518,355 (prior interim period: £2,196,195) for the period, down 30.86% on the prior year. The loss reflects a marginal increase in administrative expenses comprising additional costs incurred by the Company related to professional fees for the preparation of the Company's prospectus (published post-Period on 30 November 2023) and the establishment of sales operations in the UK for the Company's UK launch of its nicotine-free vape products starting in August 2023.

The Company's asset position is broadly consistent with the position at the end of the prior financial year. There is a reduced cash position at 30 September 2023 as compared to 31 March 2023, in line with continued expenditure related to growth of the business, as set out above.

Since the end of the interim Period, the Company has made additional sales and received purchase orders creating near-term trade receivables. These are expected to be paid during the second half of the financial year.

Fundraising during the Period

During the Period the Company's working capital needs were met through funds raised in March and April 2023.

On 16 March 2023 the Company announced that it had raised £560,000 (before expenses) from a financial institution. The fundraise consisted of a subscription for 16,000,000 new ordinary shares of 1 pence each at a price of 3.5 pence per share.

On 3 April 2023 the Company announced that it had raised £2.6 million (before expenses) from a high net worth investor. This consisted of a subscription for 25,000,000 new ordinary shares of 1 pence each at a price of 4 pence per share for a total of £1,000,000,000, and the issue of convertible unsecured loan notes with a value of £1.6 million. The Convertible Loan Notes carry a coupon of 12% per annum for a term of three years from the date of issue on 31 March 2023, and are convertible into ordinary shares at 8 pence per share.

Conversion of Debt to Equity

On 30 November 2023 the Company published a prospectus following approval by the UK Financial Conduct Authority (FCA). The publication of this prospectus was necessary in order to facilitate the conversion of convertible loan notes issued as part of fundraising activities and an associated Open Offer to existing shareholders in 2022.

As a result of the conversion, which took place on 5 December 2023, the Company has converted in excess of £3 million current and non-current liabilities into equity.

Key Commercial Events During the Period

During the Period, the Company has focused its efforts on establishing a route to market for its nicotine-free vape products. The first inventory of Chill ZERO nicotine-free vapes was received in the US at the end of March 2023. The Company went on to establish a pilot programme, engaging with select independent stores and retail partners to assess product market fit and gather crucial sell-through data to inform future sales strategies.

In May 2023, the Company entered into a contract with full-service industry specialists, The Vaping Group, to provide sales, distribution and marketing services in relation to the launch of Chill ZERO nicotine-free vape products in the UK. The Company launched an extended range of large puff count devices in the UK, receiving its first inventory in early August 2023. Initial efforts focused on establishing distribution to sales to UK independent stores, with 120 outlets recorded as stocking the product within the first month of its retail debut on 7 August 2023.

The Company also directed its efforts towards the continued development of the Chill.com website on which it is building an e-commerce marketplace of wellness products containing natural, functional ingredients. These include alcohol alternatives, supplements, and products containing active ingredients such as hemp-derivatives, adaptogens and nootropics. More than 40 external brands now list their products for sale on the website, generating commissions for the Company whenever sales are made.

Subsequent Events

Significant progress has been made in the months since the end of the Period.

In the US, the Company's pilot strategy has produced sufficient data to facilitate discussions with chain retailers. This has borne fruit in the form of an initial purchase order from Smoker Friendly, the largest dedicated operator of smoke shops in the nation. All 13 existing Chill ZERO products will be stocked by Smoker Friendly stores in nine US states, providing further opportunities to develop the brand's position within the market.

In the UK, Chill ZERO vape products have been sold into more than 475 independent retail stores. The Company has also secured an initial purchase order that will see its products stocked in 150 WHSmith's travel stores in major airports, train stations and transit hubs around the UK. More recently, the Company has received a seven figure purchase order for the sale of its products into a one of the UK's top supermarket chains. This will provide further exposure to consumers in all of the leading store operator's UK stores. The Company has also received a significant purchase order that will result in the sale of its vape products to a prominent operator of UK petrol stations including those trading under major brand names including Shell, Esso and BP.

The Company has also reached agreement for its products to be sold by leading wholesalers and distributors. These include Vape Local and Flawless, between them some of the UK's largest vape category specialists with a combined reach of more than 9,000 business customers. These agreements are expected to enable Chill ZERO to further penetrate the UK market over the coming year.

Outside of the retail channel, the Company also launched its Chill ZERO products on Amazon.co.uk in late October 2023. The products are now available for purchase and next-day delivery on Amazon Prime, offering another convenient way for additional customers to purchase Chill ZERO nicotine-free vapes. Since their launch on Amazon, the products have outperformed expectations and gained first page rankings for key search terms including 'nicotine free vape'.

Sales and purchase orders received by the Company's for its Chill ZERO products have a combined gross value of more than £2.1 million (including VAT). While the Company has incurred costs related to the commencement of sales of its products by major retailers, it has taken the opportunity to structure deals that result in the recovery of slotting fees and other similar retail costs upon fulfilment of initial purchase orders which significantly exceed the costs of listing.

To support the growth of its sales channels, the Company has secured a supply chain financing facility from an existing major shareholder. The facility of £1,000,000 carries a monthly interest rate of 2% and has a term of one year. The funds will support the acquisition of inventory and the roll-out of products to new stores, reducing the cashflow impact of the Company's rapid expansion.

Outlook and Future Prospects

As outlined in this report, the Company has made significant progress in developing a route to market for its vape products. Since the end of the interim period, the Company has secured product listings with major UK retail chains including a leading supermarket and WHSmith in the UK, along with Smoker Friendly, the largest dedicated smoke shop chain in the US. The Company has also sold its products into more than 475 independent retail stores and established relationships with key distributors and wholesalers including Flawless and Phoenix 2 Retail.

Listings have now been secured for Chill ZERO products in more than 2,365 locations with further progress to be made in 2024 as the products reach the shelves of major retail stores. This has all been achieved within a matter of months, demonstrating demand for our products and setting the stage for a compounding effect as sales continue. As the Chill brand gains recognition and a foothold in the market, we anticipate a cascading effect that will foster additional sales and create opportunities for further expansion into new retail channels. This is already apparent in both key territories as discussions with further distributors and retailers are underway in the US and UK.

Following progress made during the first half of the financial year, the Company now benefits from a diversified base of business across four key sources of revenue:

1. US retail channel sales which are expected to expand as the Company reaches agreement to sell its products into additional stores and states. The US is the largest vaping market in the world, accounting for an estimated US$8.3 billion in 2023.

2. UK retail channel sales, where the Company is making rapid progress through sales into major supermarkets, convenience store chains and other outlets. The UK has seen an immense rise in the popularity of vaping with the domestic market generating estimated revenues of more than GBP£3 billion in 2023.

3. Sales of Chill products online via our own website, Amazon.co.uk and other e-commerce sites. The Company is confident that these channels will also provide a cost-effective means of entering additional European markets during the 2024 calendar year.

4. Sales of third-party brands on the Chill.com website. As more brands join the site and additional user traffic is attracted by means of new marketing campaigns, the Company expects sustained growth in the revenue generated by its e-commerce marketplace model.

The establishment of these new revenue centres comes with its own set of costs that will require careful financial management. The expansion of retail sales channels, for instance, requires expenditure on store listing fees, merchandising, compliance, and product sampling. While these are the inevitable costs of building a consumer products brand, the Company continues to take every opportunity to carefully structure deals that provide upside from the first order rather than relying on future reorders to create financial value.

Based on sales made and purchase orders received to date, the Company expects to record a material increase in revenues for the full financial year.

The Company's Board is proud of the progress achieved this year. Chill Brands is experiencing substantial growth with the diversification of its product offerings, expansion into new markets, and the development of a business model that is expected to deliver recurring revenue with healthy profit margins. Efforts made during the Period have propelled the Company into a much stronger position than at the outset of 2023 and Chill Brands is now positioned favourably for continued success.

This interim financial report was approved by the Board of Directors on 11 December 2023 and signed on its behalf by:

C Sommerton

Callum Sommerton
Chief Executive Officer, Chill Brands Group plc

Chill Brands Group PLC

Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30 September 2023

	Unaudited six months ended 30 September 2023 £	Unaudited six months ended 30 September 2022 £	Audited year ended 31 March 2023 £
Revenue	**83,392**	19,610	82,840
Cost of sales	**(56,776)**	(49,738)	(61,798)
Obsolete inventory expense	**(25,463)**	-	(227,901)
Gross (loss) profit	**1,153**	(30,128)	(206,859)
Administrative expenses	**(1,519,508)**	(1,249,219)	(2,636,115)
Share expenses for options granted	**-**	(916,848)	(1,126,846)
Operating Loss	**(1,518,355)**	(2,196,195)	(3,969,820)
Finance income	**60,553**	8,282	24,159
Finance cost	**(111,036)**	-	(323,556)
Other income	-	-	6,203
Loss on ordinary activities before taxation	**(1,568,838)**	(2,187,913)	(4,263,014)
Taxation on loss on ordinary activities	**-**	-	-
Loss for the period from continuing activities	**(1,568,838)**	(2,187,913)	(4,263,014)
Loss for the period from discontinued activities	**(13,698)**	(14,749)	(24,877)
Loss for the period	**(1,582,536)**	(2,202,662)	(4,287,891)
Other comprehensive income			
Items that may be re-classified subsequently to profit or loss:			
Foreign exchange adjustment on consolidation	**23,143**	324,591	(24,241)
Total comprehensive loss for the period attributable to the equity holders	**(1,559,393)**	(1,878,071)	(4,312,132)
Earnings (loss) per share attributed to equity holders			
Attributable to continuing activities	**(0.56)**	**(0.89)**	(1.75)
Attributable to discontinued activities	**(0.01)**	**(0.01)**	(0.01)
Total	**(0.57)**	**(0.90)**	(1.76)

Chill Brands Group PLC
Consolidated Statement of Financial Position (Unaudited)
At 30 September 2023 and 2022

	Unaudited six months ended 30 September 2023 £	**Unaudited six months ended 30 September 2022 £**	**Audited year ended 31 March 2023 £**
Non-Current Assets			
Tangible assets	**36,510**	54,621	42,612
Right of use lease asset	**244,879**	269,855	210,216
Intangible assets	**1,201,062**	1,370,160	1,209,424
Total Noncurrent Assets	**1,482,451**	1,694,636	1,462,252
Current Assets			
Inventories, net	**622,197**	765,644	464,028
Trade and other receivables	**391,879**	414,055	447,367
Cash and cash equivalents	**1,954,306**	1,822,322	3,767,426
Other current assets	**-**	53,720	-
Total Current Assets	**2,968,382**	3,055,741	4,678,821
Total Assets	**4,450,833**	4,750,377	6,141,073
Non-Current Liabilities			
Loans, excluding current maturities	**1,426,168**	3,147,151	4,034,726
Right of use lease liability, net of current portion	**114,341**	204,266	149,755
Total Noncurrent Liabilities	**1,540,509**	3,351,417	4,184,481
Current Liabilities			
Current maturities of loans	**3,179,164**	10,000	468,893
Trade and other payables	**294,937**	354,556	540,641
Current portion of right of use lease liability	**135,949**	74,602	68,386
Total Current Liabilities	**3,610,050**	439,158	1,077,920
Total Liabilities	**5,150,559**	3,790,575	5,262,401
Net Assets	**(699,726)**	959,802	878,672
Equity			
Share capital	**2,876,153**	2,451,153	2,611,153
Share premium account	**11,718,000**	10,421,550	10,923,000
Share based payments reserve	**4,516,608**	4,751,130	4,516,608
Compound loan note equity component reserve	**419,168**	-	419,168
Shares to be issued reserve	**-**	16,941	1,079,256
Foreign currency translation reserve	**259,930**	585,368	236,536
Retained loss	**(20,489,585)**	(17,266,340)	(18,907,049)
Total Equity	**(699,726)**	959,802	878,672

Chill Brands Group PLC
Consolidated Statement of Changes in Equity
For the six months ended 30 September 2023

	Share Capital £	Share Premium Account £	Share Based Payment Reserve £	Compound Loan Note Equity Component Reserve £	Shares To Be Issued Reserve £	Foreign Currency Translation Reserve £	Retained Loss £	Total £
At 31 March 2022	**2,120,700**	**10,298,440**	**3,389,762**	**-**	**89,517**	**260,777**	**(14,619,158)**	**1,540,038**
Comprehensive income for the period								
Loss for the period	-	-	-	-	-	-	(4,287,891)	(4,287,891)
Other comprehensive income								
Translation adjustment	-	-	-	-	-	(24,241)	-	(24,241)
Total comprehensive loss for the period attributable to the equity holders	-	-	-	-	-	(24,241)	(4,287,891)	(4,312,132)
Issue of warrant and options	-	-	1,126,846	-	-	-	-	1,126,846
Shares to be issued	-		-	-	1,072,743	-	-	1,072,743
Shares issued in the period	490,453	799,471	-	-	(83,004)	-	-	1,206,920
Equity component of compound financial instrument	-	-	-	419,168	-	-	-	419,168
Cost relating to share issues	-	(174,911)	-	-	-	-	-	(174,911)
At 31 March 2023	**2,611,153**	**10,923,000**	**4,516,608**	**419,168**	**1,079,256**	**236,536**	**(18,907,049)**	**878,672**
Comprehensive income for the period								
Loss for the period	-	-	-		-	-	(1,582,536)	(1,582,536)
Other comprehensive income								
Translation adjustment	-	-	-		-	23,394	-	23,394
Total comprehensive loss for the period attributable to the equity holders	-	-	-		-	23,394	(1,582,536)	(1,559,142)
Shares issued in the period	265,000	795,000	-		(1,060,000)	-	-	-
Termination of shares to be issued	-	-	-		(19,256)	-	-	(19,256)
At 30 September 2023	**2,876,153**	**11,718,000**	**4,516,608**	**419,168**	**-**	**259,930**	**(20,489,585)**	**(699,726)**

Chill Brands Group PLC

Consolidated Statement of Cash Flows

For the six months ended 30 September 2023

	Unaudited six months ended 30 September 2023 £	Unaudited six months ended 30 September 2022 £	Audited year ended 31 March 2023 £
Cash Flows From Operating Activities			
Loss for the period	**(1,582,536)**	(2,202,662)	(4,287,891)
Adjustments for:			
Depreciation and amortisation charges	**112,055**	70,541	132,779
Impairment provision	**25,463**	-	227,901
Promotional product in lieu of fees	**5,538**	-	41,818
Imputed interest on convertible loan notes	**111,036**	-	177,722
Share expenses for options granted	**-**	925,472	1,126,846
Termination of options	**(19,256)**	-	-
Shares issued as compensation	**-**	-	40,739
Foreign exchange translation adjustment	**(19,795)**	56,066	1,157
Operating cash flow before working capital movements	**(1,367,495)**	(1,150,583)	(2,538,929)
Decrease (increase) in inventories	**(183,632)**	(129,350)	(30,029)
Decrease (increase) in trade and other receivables	**49,950**	232,424	288,864
Increase(decrease) in trade and other payables	**(245,704)**	(436,057)	(234,692)
Net Cash outflow from Operating Activities	**(1,746,881)**	(1,483,566)	(2,514,786)
Cash Flows From Investing Activities			
Cash paid for intangible assets	**-**	(593,912)	(639,192)
Net Cash generated from/(used in) Investing Activities	**-**	(593,912)	(639,192)
Cash Flows From Financing Activities			
Net proceeds from issue of shares	**-**	372,363	2,004,013
Loans made by the Company	**-**	3,083,932	4,693,504
Payments of lease liability	**(60,244)**	(38,838)	(66,173)
Repayment of long-term debt	**(9,323)**	(9,572)	(18,859)
Net Cash Generated from Financing Activities	**(69,567)**	3,407,885	6,612,485
Net increase in cash and cash equivalents			
As above	**(1,816,448)**	1,340,249	3,458,507
Cash and cash equivalents at beginning of period	**3,767,426**	420,045	420,405
Foreign exchange adjustment on opening balances	**3,328**	62,028	(111,486)
Cash and cash equivalents at end of period	**1,954,306**	1,822,322	3,767,426

NOTE 1 - GENERAL INFORMATION

Chill Brands Group PLC ("the Company") and its subsidiaries (together "the Group") are involved in the development, production and distribution of consumer packaged goods products including nicotine-free vapour products. The Company, a public limited company incorporated and domiciled in England and Wales, is the Group's ultimate parent company. The Company was incorporated on 13 November 2014 with Company Registration Number 09309241 and its registered office and principal place of business is 27/28 Eastcastle Street, London W1W 8DH. The Company's US offices are located at 1601 Riverfront Drive, Grand Junction, Colorado 81501.

NOTE 2 - ACCOUNTING POLICIES

Basis of preparation

The interim condensed unaudited consolidated financial statements for the period ended 30 September 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting. The comparative figures for 31 March 2023 are extracted from the Group's audited accounts to that date. The comparative figures for the period ended 30 September 2022 are unaudited.

The condensed unaudited consolidated interim financial statements of the Group have been prepared on the basis of the accounting policies, presentation, methods of computation and estimation techniques used in the preparation of the audited accounts for the period ended 31 March 2023 and expected to be adopted in the financial information by the Group in preparing its annual report for the year ending 31 March 2023.

The financial information in this statement relating to the six months ended 30 September 2023 and the six months ended 30 September 2022 has neither been audited nor reviewed by the auditors pursuant to guidance issued by the Auditing Practices Board. The financial information presented for the year ended 31 March 2023 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 March 2023 have been filed with the Registrar of Companies.

The financial information of the Group is presented in British Pounds Sterling ("£").

NOTE 3 - INCOME TAX EXPENSE

No tax is applicable to the Group for the period ended 30 September 2023. No deferred income tax asset has been recognised in respect of the tax losses carried forward, due to the uncertainty as to whether the Group will generate sufficient profits in the foreseeable future to prudently justify this.

NOTE 4 - LOSS PER SHARE

Basic loss per ordinary share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There are currently no dilutive potential ordinary shares.

	Earnings £	Weighted average number of shares	Loss per share (pence)
Loss per share attributed to ordinary shareholders	(1,559,393)	281,098,912	(0.57)

NOTE 5 - INVENTORIES

Inventories comprise finished products and raw materials either developed by the Group or bought in from third parties. All inventory items are stated at their cost of production or acquisition, or at net realisable value if this is lower. There are no biological assets being grown for the six month periods ended September 30, 2023 and 2022. Recorded Inventories are inclusive of the Group's hemp seed assets of £363,240. For the period ended September 30, 2023, the Group had impairments of £25,463 inventory, relating predominantly to provisioning of legacy CBD pouch and gummy products nearing their recommended sell by date codes.

NOTE 6 - NOTE RECEIVABLE – RELATED PARTY

During the six month period ended 30 September 2021, the Group entered into a note agreement with a related party. The note receivable consisted of a note from an entity owned and operated by a shareholder of the Group. The note carried interest on the unpaid principal balance of nil interest from 30 September 2021 through 31 January 2022 and bear interest at the short term rate of 0.18 percent per annum from 1 February 2022. The note has now been paid in full. The total balance due from the related parties note receivable at 30 September was nil (2023) and £194,294 (2022). The note was reduced in line with promotional offers and free fills provided to retailers as part of the Group's rollout strategy.

NOTE 7 - INTANGIBLE ASSETS

The Group purchased the domain name Chill.com on 22 June 2021. This domain name is the only intangible asset held by the Group.

This domain name is stated in the accounts at its cost of acquisition less a provision for amortisation. The domain name is amortised over 25 years using the straight line method. The balance as of 30 September was £1,201,062 (2023) and £1,370,160 (2022). The amortisation expense for the period ended 30 September is £26,201 (2023) and £28,845 (2022). The change in the balance of the intangible asset from 30 September 2022 to 30 September 2023 is reflective of amortisation expense and adjusted for foreign currency translation.

NOTE 8 - LOANS

On 10 June 2020, the Group entered into a BBLS managed by the British Business Bank on benefit of and with the financial backing of the Secretary of State for Business, Energy and Industrial Strategy. The BBLS loan of £50,000 carries an interest of 2.50% rate per annum with repayment over 60 months beginning July 2021. The loan balance as of 30 September was £27,500 (2023) and £37,500 (2022).

On 22 April 2020, Highlands Natural Resources Corporation entered into a Paycheck Protection Program (PPP) loan with the U.S. Small Business Administration (SBA) for £154,078 with an interest of 1.00% rate per annum with principal and accrued interest due and payable on 22 April 2022. During the period ended 31

NOTE 8 - LOANS (cont.)

March 2021, the Group received partial forgiveness of the SBA loan. The loan balance as of September 30 was £14,738 (2023) and £26,147 (2022).

On 13 May 2022, the Group issued convertible loan notes with an aggregate value of £2,916,670 with an interest rate of nil through 31 May 2023 and 10% for the period after 31 May 2023. Conversion of 145,833,495 shares at a conversion price of 2 pence per share is compulsory upon approval of the prospectus or a change in legislation where a prospectus is not needed between the date of issuance and through 31 May 2024. To the extent not already redeemed or converted, the notes then in issue shall be paid to the lender on 31 May 2024.

On 21 June 2022, the Group issued convertible loan notes with an aggregate value of £176,835 with an interest rate of nil through 31 May 2023 and 10% for the period after 31 May 2023. Conversion of 8,841,725 shares at a conversion price of 2 pence per share is compulsory upon approval of the prospectus or a change in legislation where a prospectus is not needed between the date of issuance through 31 May 2024. To the extent not already redeemed or converted, the notes then in issue shall be paid to the lender on 31 May 2024.

On 31 March 2023, the Group issued convertible loan notes with an aggregate value of £1,600,000 with an interest rate of 12%. The lender has the right between the date of issuance and through 1 April 2026 to serve a conversion notice on the Group to convert all or some of the notes outstanding into the applicable number of conversion shares up to 20,000,000 at the conversion price of 8 pence per share.

The loan notes constitute a compound financial instrument under IAS 32. The liability component representing the net present value of future contractual cash flows.

Subsequent to 30 September 2023, on 30 November 2023, the Group received approval from the UK Financial Conduct Authority for publication of a UK prospectus document (the "Prospectus"). The Prospectus has been produced to enable the issue and admission of 154,675,220 ordinary shares of 1 pence each in the capital of the Group to the standard segment of the FCA Official List and to trading on the London Stock Exchange's Main Market for listed securities, resulting from the conversion of the May 2022 loan notes and the June 2022 loan notes.

NOTE 9 - LEASES

The Group determines if an arrangement is a lease at inception if the contract conveys the right to control the use and obtain substantially all the economic benefits from the use of an identified asset for a period of time in exchange for consideration.

The Group identifies a lease as a finance lease if the agreement includes any of the following criteria: transfer of ownership by the end of the lease term; an option to purchase the underlying asset that the lessee is reasonably certain to exercise; a lease term that represents 75 percent or more of the remaining economic life of the underlying asset; a present value of lease payments and any residual value guaranteed by the lessee that equals or exceeds 90 percent of the fair value of the underlying asset; or an underlying asset that is so specialised in nature that there is no expected alternative use to the lessor at the end of the lease term. A lease that does not meet any of these criteria is considered an operating lease.

Lease right-of-use assets represent the Group's right to use an underlying asset for the lease term and lease liabilities represent the Group's obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognised at the commencement date of a lease based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease. The Group includes these extension or termination options in the determination of the lease term when it is reasonably certain that we will exercise that option. The Group does not recognise leases having a term of less than one year in the consolidated statements of financial position.

NOTE 9 - LEASES (cont.)

For the purposes of determining the present value of the lease payments, the Group use a lease's implicit interest rate when readily determinable. As leases do not provide an implicit interest rate, the Group used an incremental borrowing rate based on available information at the commencement of the lease. Lease cost for operating leases is recognised on a straight-line basis over the lease term.

On 5 May 2021, the Group entered into an office lease agreement between the Company and Bonsai Development LLC. The operating lease is a five year lease with an option to extend up to five years. The Group believes the option to extend up to five years is not probable as of 30 September 2023. The Group recorded a right of use lease asset and corresponding liability using an incremental borrowing rate to determine the discount rate. As of 30 September, the right of use lease asset had a balance of £179,481 (2023) and £269,855 (2022).

On 9 June 2023, the Group entered into a warehouse lease agreement between the Company and Raquette Hanger, LLC (a related party). The operating lease is a one year lease with an option to extend up to five years. The Group recorded a right of use lease asset and corresponding liability using an incremental borrowing rate to determine the discount rate. As of 30 September 2023, the right of use lease asset had a balance of £65,398. The Group believes the option to extend up to five years is not probable as of 30 September 2023.

NOTE 10 - SHARE CAPITAL & RESERVES

Allotted, called up and fully paid Ordinary shares of £0.01 each:

	Number of Shares	**Share Capital £**	**Share Premium £**
Balance at 31 March 2023	261,115,305	2,611,153	10,923,000
15 May 2023 – issuance of shares	26,500,000	265,000	750,000
Balance at 30 September 2023	287,615,305	2,876,153	11,718,000

The Group has only one class of share and all shares rank *pari passu* in every respect.

NOTE 11 - EQUITY-SETTLED SHARE-BASED PAYMENTS RESERVE

	30 September 2023 £	**31 March 2023 £**
At beginning of period	4,516,608	3,389,762
On options and warrants granted in the year	-	1,126,846
Released on lapsing of warrants during the year	-	-
At end of period	4,516,608	4,516,608

NOTE 12 - SUBSEQUENT EVENTS

In October 2023 the Group announced the sale of its Chill ZERO nicotine-free vapour products into WHSmith travel stores. The products will be stocked in an initial 150 outlets including those in key travel hubs such as Heathrow Airport and London Kings Cross Station.

NOTE 12 - SUBSEQUENT EVENTS (cont.)

On October 12 2023, the Group announced the launch of its Chill ZERO nicotine-free vapour products onto the Amazon.co.uk e-commerce platform.

In November 2023 the Group announced the launch of its Chill Zero nicotine-free vapour products on Vape Local, and the sale of products to the leading UK vapour products distributor, Flawless.

On 30 November 2023, the Group received approval from the UK Financial Conduct Authority for publication of a UK prospectus document (the "Prospectus"). The Prospectus has been produced to enable the issue and admission of 154,675,220 ordinary shares with a value of 1 pence each in the capital of the Group to the standard segment of the FCA Official List and to trading on the London Stock Exchange's Main Market for listed securities, which will result from the conversion of the May 2022 loan notes and the June 2022 loan notes.

On 20 December 2023, the Company announced the sale of its Chill ZERO nicotine-free vapour products into stores operated by one of the UK's top supermarket chains, alongside a new supply-chain finance facility.

To support the growth of its sales channels, the Company secured a supply chain financing facility from an existing major shareholder in November 2023. The facility of £1,000,000 carries a monthly interest rate of 2% and has a term of one year. The funds will support the acquisition of inventory and the roll-out of products to new stores, reducing the cashflow impact of the Company's rapid expansion.

On 22 December 2023, the Company announced the sale of its Chill ZERO nicotine-free vapour products into stores operated by a major operator of UK fuel forecourts.