



ที่ EE/SET/012/2567

13 May 2024

Subject: Management Discussion and Analysis for Financial Statements Q1/2024 ended 31 March 2024

Attention: President

The Stock Exchange of Thailand

Eternal Energy Public Company Limited and its subsidiaries (the “Company”) would like to explain operation results for Q1/2024 ended 31 March 2024 which had a net loss of Baht 31.22 million, increase by Baht 23.75 million or 317.99% from Q1/2023, details as follows:

Statements of Comprehensive Income

1. Gross profit increased by Baht 0.63 million or 108.8%, because in Q1/2023, the company recorded loss for decline in value of inventory by Baht 0.58 million.
2. Other income decreased by Baht 3.28 million or 68.14%. mainly consists of
 - 2.1. Gains on change in value of equity investments designated at fair value through profit or loss decreased by Baht 10.71 million or 100%, due to no change in the market price of trading securities in Q4/2024, resulting in no profit (loss), which is different from in Q1/2023, cost of shares are lower than market price, resulting in the Company recognized gain on change in value of equity investment have not yet been sold.
 - 2.2. Gains on change in fair value of biological assets increased by Baht 9.01 million or 119.59%, because in Q1/2024, the Company has changed from growing hemp to cannabis because cannabis has a higher selling price than hemp and the costs are not different, making the expected value higher than hemp.
 - 2.3. Other income decreased by Baht 1.56 million or 96.89%, mainly caused by the decrease to profits from the sale of securities for trading in equity instruments, due to no trading in Q1/2024.

3. Total expenses decreased by Baht 6.46 million or 35.04%, mainly consisting of
- 3.1. Administrative expenses decreased by Baht 2.85 million or 21.36%, mainly caused by in Q1/2024 the decrease by salary and consulting fees amounted to Baht 1.94 million, because the Company has restructuring to reduce unnecessary expenses. including training and seminar fees decreased by Baht 0.34 million.
- 3.2. Impairment loss of goodwill of investment in subsidiary increased by Baht 23.71 million or 100%, caused by Q1/24, the present value of cash flows of its subsidiaries expected to receive in the future lower than estimated, the Company has determined the recoverable amount of CBDB and CW by applying discounted cash flow derived from the estimates of expected future cashflow generating from its group of assets, then adjusted with current operating performance. The Company compares the above recoverable amounts to the carrying amounts of such assets and found that the carrying amounts exceeds the recoverable amounts. Therefore, the Company had recognized an impairment loss of CBDB and CW for goodwill in the consolidated financial statements and for its investment in subsidiaries.

(Unit : Million Baht)

Test Date/ Subsidiaries	Impairment loss of goodwill			Impairment loss on investment in subsidiaries		
	CBDB	CW	Total	CBDB	CW	Total
June 30, 2023	88.14	-	88.14	88.14	-	88.14
September 30, 2023	-	122.96	122.96	-	157.16	157.16
December 31, 2023	16.57	243.85	260.42	74.14	253.86	328.00
March 31, 2024	6.72	16.99	23.71	7.84	19.52	27.36
	<u>111.43</u>	<u>383.80</u>	<u>495.23</u>	<u>170.12</u>	<u>430.54</u>	<u>600.66</u>

Movements during the three-month period ended March 31, 2024 and the year ended December 31, 2023 are as follows

(Unit : Baht)

	Consolidated	
	As at March 31, 2024	As at December 31, 2023
Beginning balance of the period/ year	719,219,333	1,190,741,333
Less Impairment loss of goodwill		
- CBD Bioscience Co., Ltd.	(6,720,000)	(104,705,000)
- Cannabiz way Co., Ltd.	(16,990,000)	(366,817,000)
Total	<u>(23,710,000)</u>	<u>(471,522,000)</u>
Ending balance of the period/ year	<u>695,509,333</u>	<u>719,219,333</u>

Therefore, the company has considered establishing a direction for future operations to ensure the company maintains consistent and sustainable revenue and operational performance. This includes innovation and adaptation based on past experiences to achieve high-quality production outcomes. It also involves creating high-quality products tailored to meet the diverse needs of all customer segments and supporting sustainable growth in the future. Cost reduction in cultivation is prioritized to achieve low costs while still maintaining quality and quantity within market standards, ensuring products can be sold at competitive market prices. There is also a focus on adjusting the cultivation plan, emphasizing the cultivation of various strains of cannabis to increase production volume to meet the future market demands to the fullest extent possible.

The primary focus of problem-solving strategies will encompass: (1) Revenue management: Emphasis will be placed on developing the core business to be efficient and diverse according to market demands and to ensure revenue stability. This involves adapting to consumer behaviors, fostering cooperative relationships with partners, and sharing gains and losses to enhance product and service quality. Exploring new business opportunities related to the company's current operations to expand future business prospects, including seeking potential business partnerships to enhance opportunities and operational efficiency within the group of companies. (2) Cost and expense management: There will be considerations to adjust the business structure to align with the current situation, including restructuring debts and capital within subsidiary companies to reduce financial costs. Cost reduction in cultivation will also be prioritized to achieve low costs while maintaining quality and quantity within market standards, allowing products to be sold at competitive market prices. The Board of Directors will carefully consider and discuss with the management team all operational strategies, prioritizing the company's and shareholders' benefits.

Please be informed accordingly.

Yours sincerely,



(Mr. Issara Roungsuk-udom)

Chief Executive Officer

Authorized to Disclose Information