

COOLBRANDS INTERNATIONAL INC.

Interim Consolidated Financial Statements

For the First Quarter Ended November 30, 2008

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended November 30, 2008.

CoolBrands International Inc.
210 Shields Court
Markham, Ontario
L3R 8V2

Stock Symbol: TSX - COB

CoolBrands International Inc.
Consolidated Balance Sheets

(Unaudited)

(Amounts expressed in thousands of Canadian dollars)

	November 30, 2008	August 31, 2008
Assets		
Current assets:		
Cash and cash equivalents (Note 4)	\$ 63,258	\$ 8,372
Short-term investments (Note 4)	-	52,800
Interest receivable	992	726
Prepaid expenses	85	158
Current assets of discontinued operations (Note 5)	171	299
Other assets (Note 7)	3,838	3,489
	<hr/>	<hr/>
Total current assets	68,344	65,844
Capital assets (Note 6)	135	157
Other assets (Note 7)	464	532
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Total assets	<u>\$ 68,943</u>	<u>\$ 66,533</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 260	\$ 244
Current liabilities of discontinued operations (Note 5)	4,465	4,550
	<hr/>	<hr/>
Total current liabilities	4,725	4,794
Other liabilities (Note 8)	2,783	2,783
	<hr/>	<hr/>
Total liabilities	7,508	7,577
Contingencies (Note 13)		
Shareholders' Equity:		
Capital stock (Note 9)	61,972	61,972
Contributed surplus	54,009	53,998
Accumulated other comprehensive loss	(45,466)	(45,466)
Deficit	(9,080)	(11,548)
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Total shareholders' equity	61,435	58,956
	<hr/>	<hr/>
	<u>\$ 68,943</u>	<u>\$ 66,533</u>

See accompanying notes to consolidated financial statements.

CoolBrands International Inc.**Consolidated Statements of Income (Loss) and Other Comprehensive Income (Loss)**

(Unaudited)

(Amounts expressed in thousands of Canadian dollars, except for per share data)

	For the three months ended November 30,	
	2008	2007
Revenue		
Interest and other	\$ 566	\$ 721
Expenses		
General and administrative	412	485
Income before the following	<u>154</u>	<u>236</u>
Gain (loss) on foreign exchange	<u>2,562</u>	<u>(2,995)</u>
Net income (loss) from continuing operations before income taxes	2,716	(2,759)
Provision for (recovery of) income taxes (Note 11)	<u>-</u>	<u>-</u>
Net income (loss) from continuing operations	<u>2,716</u>	<u>(2,759)</u>
Discontinued operations:		
Gain (loss) from operations of discontinued operations	(248)	250
Gain (loss) on sale of discontinued operations	<u>-</u>	<u>(809)</u>
Loss from discontinued operations	<u>(248)</u>	<u>(559)</u>
Net income (loss) and other comprehensive income (loss)	<u>\$ 2,468</u>	<u>\$ (3,318)</u>
Income (loss) per share:		
Continuing operations - basic and diluted	\$ 0.05	\$ (0.05)
Discontinued operations - basic and diluted	\$ (0.00)	\$ (0.01)
Total - basic and diluted	<u>\$ 0.04</u>	<u>\$ (0.06)</u>
Weighted average shares outstanding	56,075,433	56,075,433

See accompanying notes to consolidated financial statements.

CoolBrands International Inc.**Consolidated Statements of Shareholders' Equity for the periods ended November 30, 2008 and 2007**

(Unaudited)

(Amounts expressed in thousands of Canadian dollars)

	Capital stock	Contributed surplus	Currency translation account	Deficit	Total shareholders' equity
Balance as at August 31, 2007	\$ 139,388	\$ 53,941	\$ (45,466)	\$ (94,360)	\$ 53,503
Loss and other comprehensive loss for the period	-	-	-	(3,318)	(3,318)
Balance as at November 30, 2007	<u>\$ 139,388</u>	<u>\$ 53,941</u>	<u>\$ (45,466)</u>	<u>\$ (97,678)</u>	<u>\$ 50,185</u>
Balance as at August 31, 2008	\$ 61,972	\$ 53,998	\$ (45,466)	\$ (11,548)	\$ 58,956
Income and other comprehensive income for the period	-	-	-	2,468	2,468
Stock-based compensation	-	11	-	-	11
Balance at November 30, 2008	<u>\$ 61,972</u>	<u>\$ 54,009</u>	<u>\$ (45,466)</u>	<u>\$ (9,080)</u>	<u>\$ 61,435</u>

See accompanying notes to consolidated financial statements.

CoolBrands International Inc.
Consolidated Statements of Cash Flows

(Unaudited)

(Amounts expressed in thousands of Canadian dollars)

	For the three months ended November 30,	
	2008	2007
Cash and cash equivalents provided by (used in):		
Operating activities:		
Income (loss) from continuing operations	\$ 2,721	\$ (2,759)
Adjustments to reconcile loss to net cash flows from operating activities		
Amortization	22	37
Stock-based compensation expense	11	-
Cash effect of changes from continuing operations		
Interest receivable	(139)	111
Prepaid expenses	73	61
Accounts payable and accrued liabilities	16	(334)
Other assets	202	1,133
Other liabilities	-	(9)
Cash provided by (used in) operating activities	<u>2,906</u>	<u>(1,760)</u>
Investing activity		
Decrease in short-term investments	<u>52,800</u>	<u>-</u>
Financing activity:		
Increase in amount due to a related company	<u>-</u>	<u>162</u>
Increase (decrease) in cash flows due to changes in foreign exchange rates	<u>106</u>	<u>(535)</u>
Cash flows provided by (used in) discontinued operations		
Gain (loss) from discontinued operations	(253)	250
Operating activities	(673)	(4,245)
Investing activities	-	(715)
Cash (used in) discontinued operations	<u>(926)</u>	<u>(4,710)</u>
Increase (decrease) in cash and cash equivalents	54,886	(6,843)
Cash and cash equivalents – beginning of period	8,372	68,351
Cash and cash equivalents – end of period	<u>\$ 63,258</u>	<u>\$ 61,508</u>
Supplemental cash flow information:		
Income taxes paid (recovered) relating to discontinued operations	\$ (75)	\$ 436

See accompanying notes to consolidated financial statements.

CoolBrands International Inc.
Notes to Consolidated Interim Financial Statements
November 30, 2008 and 2007
(Unaudited)

(Amounts are expressed in thousands of Canadian dollars)

1. Significant accounting policies

These consolidated financial statements include the accounts of CoolBrands International Inc. (“CoolBrands”) and its principal direct and indirect wholly-owned subsidiaries, collectively referred to as “the Company”.

These financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada for interim financial statements. The financial statements have, in management’s opinion, been properly prepared using judgment within reasonable limits of materiality. These interim financial statements do not include all the note disclosures required for annual financial statements and therefore they should be read in conjunction with the Company’s audited financial statements for the year ended August 31, 2008. The significant accounting policies follow those disclosed in the most recently reported annual financial statements, except as described in note 2 below.

2. Changes in accounting policies

Effective September 1, 2008 the Company adopted the following recently introduced Canadian Institute of Chartered Accountants handbook sections:

- a) CICA Section 1535, “Capital Disclosures”. This section establishes standards for disclosing information about an entity’s capital and how it is managed. Information is to be disclosed to assist users of its financial statements to evaluate the entity’s objectives, policies and processes for managing capital. The adoption of this standard did not have a material impact on the Company’s financial results as it only addresses disclosure requirements.
- b) CICA Sections 3862, “Financial Instruments – Disclosures, and Section 3863, “Financial Instruments – Presentation”. These sections replace CICA Section 3861, “Financial Instruments – Disclosure and Presentation”, requiring disclosures of both qualitative and quantitative information on the nature and extent of risks arising from financial instruments to which the Company is exposed and how it manages those risks. The adoption of this standard did not have a material impact on the Company’s financial results as it only addresses presentation and disclosure requirements.
- c) International financial reporting standards. In February 2008, the Canadian Accounting Standards Board confirmed that Canadian public companies will need to adopt IFRS effective for years beginning on or after January 1, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles in Canada requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimated.

CoolBrands International Inc.
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(Unaudited)

(Amounts are expressed in thousands of Canadian dollars)

4. Cash and cash equivalents

	November 30, 2008	August 31, 2008
On deposit with financial institutions	\$ 274	\$ 423
Bank term deposits	11,943	10,157
Money market accounts	26,700	7,949
GE Capital commercial paper	-	42,643
Enbridge Inc. commercial paper	24,341	-
	<u>63,258</u>	<u>61,172</u>
Less commercial paper and term deposits classified as short-term investments	-	(52,800)
Cash and cash equivalents	<u>\$ 63,258</u>	<u>\$ 8,372</u>

5. Discontinued operations

Below is a summary of the components of the assets and liabilities arising from the sale in prior years of certain of the Company's operations.

	November 30, 2008	August 31, 2008
Current assets of discontinued operations		
Receivables, net	\$ 95	\$ 223
Prepaid expenses	76	76
	<u>\$ 171</u>	<u>\$ 299</u>
Current liabilities of discontinued operations		
Accounts payable	\$ 606	\$ 1,012
Accruals and other liabilities	3,413	3,223
Income taxes payable	446	315
	<u>\$ 4,465</u>	<u>\$ 4,550</u>

6. Capital assets

	November 30, 2008	August 31, 2008
Land	\$ 25	\$ 25
Building, machinery and equipment	2,157	2,157
	<u>2,182</u>	<u>2,182</u>
Less Accumulated amortization	(2,047)	(2,025)
	<u>\$ 135</u>	<u>\$ 157</u>

7. Other assets

	November 30, 2008	August 31, 2008
Promissory note receivable	\$ 3,711	\$ 3,186
Warrants	289	289
Investment in marketable securities	176	243
Cash held in escrow	126	303
	<u>4,302</u>	<u>4,021</u>
Less amount due within one year	(3,838)	(3,489)
Other assets – long-term portion	<u>\$ 464</u>	<u>\$ 532</u>

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(Amounts are expressed in thousands of Canadian dollars)

8. Other liabilities

	November 30, 2008	August 31, 2008
Accrued benefit cost of post-retirement benefits	\$ 2,432	\$ 2,432
Accrued benefit cost of non-registered pension plan	193	193
Accrued environmental liability	158	158
	<u>\$ 2,783</u>	<u>\$ 2,783</u>

9. Capital stock and capital management

Authorized: unlimited number of common shares

	November 30, 2008	August 31, 2008
Issued: 56,075,433 common shares	\$ 61,972	\$ 61,972

At November 30, 2008, there were 5,500,000 warrants and 300,000 stock options outstanding. For the three months to November 30, 2008 there no changes to the number of common shares, warrants or stock options.

The Company's capital is comprised of its shareholders' equity. The Company's objectives when managing capital are to (i) safeguard its cash resources by investing funds so as to minimize collection risk and (ii) retain liquidity to provide financial flexibility to fund operations and possible acquisitions.

The Company has not historically paid dividends to its shareholders. The Company is not subject to externally imposed capital requirements.

10. Financial instruments

The classification of financial instruments as of November 30, 2008 and August 31, 2008 and their respective carrying values and fair values were as follows:

	Held-for Trading	Held-to- maturity	Loans and receivables	Other financial liabilities	Carrying value	Fair value
	\$	\$	\$	\$	\$	\$
As at November 30, 2008						
Cash and cash equivalents	63,258				63,258	63,258
Interest receivable	992				992	992
Investments in marketable securities	176				176	176
Promissory note receivable		3,711			3,711	3,711
Accounts receivable			95		95	95
Accounts payable and accrued liabilities				4,279	4,279	4,279
As at August 31, 2008						
Cash and cash equivalents	8,372				8,372	8,372
Short-term investments	52,800				52,800	52,800
Interest receivable	726				726	726
Investments in marketable securities	243				243	243
Promissory note receivable		3,186			3,186	3,186
Accounts receivable			223		223	223
Accounts payable and accrued liabilities				4,479	4,479	4,479

(Amounts expressed in thousands of Canadian dollars)

Fair value

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The Company uses the following methods and assumptions to establish the fair value for each class of financial instrument for which carrying amounts are included in the unaudited interim balance sheet as follows:

- **Held for trading**

Cash and cash equivalents and short-term investments – the carrying amount is recorded at the fair market value based upon the amount of funds held in the Company's bank accounts. Cash invested in short-term investments are valued based on quoted market prices provided by the Company's investment manager.

Interest receivable – the carrying amount is recorded at fair market value based on terms provided by a promissory note.

Investments in marketable securities – the carrying amount is recorded at fair market value based on quoted market prices provided by the investment manager.

- **Held to maturity**

Promissory note receivable – the carrying amount is recorded at amortized cost using the effective interest method.

- **Loans and receivables**

Accounts receivable – the carrying amount is a reasonable approximation of the fair value due to the short-term nature of these financial instruments.

- **Other financial liabilities**

Accounts payable and accrued liabilities – the carrying amounts included in the balance sheet are measured at amortized cost which approximates fair value due to the short-term nature of accounts payable and accrued liabilities.

Risk arising from financial instruments

The Company does not use financial derivatives.

Credit risk

The Company is exposed to credit risk as certain of its cash funds are invested in securities issued by financial institutions and commercial enterprises with maturities extending between one and six months. Also, the Company has a promissory note receivable from a third party that, while it is expected to be paid in fiscal 2009, exposes the Company to some amount of collection risk. The Company attempts to mitigate credit risk by investing only in institutions that provide strong liquidity and by restricting investments to less than 180 days.

Interest rate risk

The Company is exposed to interest rate risk arising from its investment of its cash resources in interest-bearing securities. Reductions in interest rates would reduce the amount of interest revenue earned by the Company. The Company attempts to minimize interest rate risk by investing funds based at prevailing interest rates over a range of dates.

At November 30, 2008, the weighted average interest rate earned on invested funds was 3.03% (August 31, 2008 – 2.64%). A 100 basis point change in this interest rate would result in a change in income for the three months of \$154.

(Amounts are expressed in thousands of Canadian dollars)

Foreign exchange risk

The Company holds financial assets and liabilities and incurs expenses and earns revenue denominated in U.S. dollars.

Included in the under noted accounts are the following balances denominated in U.S. dollars:

	November 30, 2008	August 31, 2008
Cash and cash equivalents	\$ 9,832	\$ 346
Short-term investments	-	39,822
Interest receivable	802	683
Current assets of discontinued operations	152	495
Other assets	3,493	3,229
Current liabilities of discontinued operations	(3,669)	(4,286)
Other liabilities	(2,408)	(2,408)
Net U.S. dollar monetary position	<u>\$ 8,202</u>	<u>\$ 37,881</u>

A 1% strengthening/weakening of the Canadian dollar against the U.S. dollar at November 30, 2008 would have decreased/increased net income for the three months ended November 30, 2008 and equity as at November 30, 2008 by \$127. This analysis assumes that all other variables remain constant. The Company does not use derivative instruments to reduce its exposure to foreign exchange risk.

11. Income taxes

The Company has determined that for the period ended November 30, 2008, income tax expense was nil as the Company had sufficient unutilized income tax losses carried forward from prior periods to offset income recorded in the current period.

12. Related party transactions:

The following transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The party is considered related as one of the Company's directors is also a director of the related party.

	November 30, 2008	November 30, 2007
Rent paid in respect of shared premises	\$ 12	\$ 12
Expenses recovered in respect of shared employee	\$ 9	\$ -

At November 30, 2008 there was an amount payable to related parties of \$6 (November 30, 2007 - \$12).

13. Contingencies

Litigation

On October 31, 2006, Capricorn Investors III, L.P. ("Capricorn"), the parent of Americana Foods Corporation, filed a complaint in the Supreme Court of the State of New York against CoolBrands, Integrated Brands, Inc., CBA Foods LLC, CB Americana LLC and certain officers and directors of CoolBrands asserting allegations against the defendants for breaches of contract, breach of fiduciary duty, fraud and conspiracy and seeks injunctive relief and damages of over \$60 million. On June 8, 2007, CoolBrands and its co-defendants moved to dismiss the Complaint. The Court directed the parties to begin

CoolBrands International Inc.

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(Amounts are expressed in thousands of Canadian dollars)

engaging in document discovery and indicated it would rule on the Defendants motion to dismiss. On June 13, 2008, the Court granted CoolBrands motion to dismiss as to seven of the ten claims made by Capricorn in its complaint. The Court provisionally dismissed all of Capricorn's claims against CoolBrands and its subsidiary company Integrated Brands, Inc. but permitted the plaintiff an opportunity to re-plead its case to include these parties. Capricorn's claims alleging civil conspiracy, breaches of fiduciary duty, fraud, negligent misrepresentation and promissory estoppel were dismissed and all claims that Capricorn brought against individual officers and directors of CoolBrands were dismissed. The judge converted to a breach of contract claim Capricorn's declaratory judgment claim involving a change of control provision in the Partnership Agreement and also sustained its breach of contract claim for alleged failure to submit operational and financial information pursuant to the Americana Limited Partnership Agreement. Litigation continues on these points. On September 22, 2008, Capricorn filed its submission with the Court to oppose the Court's earlier decision on the defendant's motion to dismiss. On October 6, 2008, the Company filed its reply brief refuting the matters contained in Capricorn's submission and reiterating its position that the case should not continue against CoolBrands and Integrated Brands. In-person oral arguments were held on November 6, 2008 and it is anticipated that a Court decision on Capricorn's submission will be rendered in early 2009.

The Company has informed Capricorn that it does not believe that there are any amounts due Capricorn. The Company intends to vigorously defend against these complaints. The amount of loss, if any, cannot be determined at this time.

Legal matters

In addition, the Company is a party to other legal proceedings and disputes which arise in the ordinary course of business. In the opinion of the Company, it is unlikely that the liabilities, if any, arising from these other legal proceedings and disputes will have a material adverse effect on the consolidated financial position of the Company.

Environmental liabilities

In February 1992, Eskimo Pie Corporation ("EPC") entered into an agreement with the former owner of EPC whereby the former owner agreed to indemnify EPC for damages or expenses resulting from environmental contamination caused by the former owner and its predecessors on an EPC owned property located in New Jersey. Litigation has commenced by the Company to demand that the former owner abide by the terms of the agreement. In the event the Company is not successful in this litigation, it may be required to pay the costs associated with remediating the environmental contamination on the property. The cost of remediation cannot be reasonably estimated at this time. EPC has provided a self-guarantee to the State of New Jersey in the amount of \$370 to cover potential clean up costs

14. Segment information

As a result of the sale or closure of the operating businesses of the Company, the assets and liabilities of each of these businesses have been classified to assets and liabilities of discontinued operations on the consolidated balance sheets and the components of their operating results have been included in loss from discontinued operations on the consolidated statements of operations. At November 30, 2008, the Company has one segment.