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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to ___________

Commission File Number 000-55557

CEN BIOTECH, INC.
(Exact name of registrant as specified in its charter)

Ontario, Canada	**-**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
7405 Tecumseh Road East Suite 300 Windsor, Ontario Canada	**N8T 1G2**
(Address of principal executive offices)	*(Zip code)*

(519) 419-4958
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes **[X]** No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes **[X]** No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer **[ ]**	Accelerated filer **[ ]**
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]
Emerging growth company [x]	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2 of the Exchange Act): Yes **[ ]** No [X]

As of August 14, 2018, there were 25,388,243 shares of common stock, no par value per share ("common stock"), of the registrant outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). There are statements in this quarterly report that are not historical facts. These "forward-looking statements" can be identified by use of terminology such as "anticipate," "believe," "estimate," "expect," "hope," "intend," "may," "plan," "positioned," "project," "propose," "should," "strategy," "will," or any similar expressions. You should be aware that these forward-looking statements are subject to risks and uncertainties that are beyond our control. Although we believe that our assumptions underlying such forward-looking statements are reasonable, we do not guarantee our future performance, and our actual results may differ materially from those contemplated by these forward-looking statements. Our assumptions used for the purposes of the forward-looking statements made in the following information represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances, including the development of our lines of business and any products that we may manufacture or sell and our ability to raise additional funding sufficient to implement our strategy, as well as assumptions regarding Canadian and U.S. laws regarding the consumer or retail sale of marijuana products and accessories and the manufacture and distribution of such products and accessories, including zoning and banking regulations. We also assume that we will be able to raise additional capital to fund our operations while we develop a line of business to generate net revenues. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives require the exercise of judgment. In light of these numerous risks and uncertainties, we cannot provide any assurance that the results and events contemplated by our forward-looking statements contained in this quarterly report will in fact transpire. **These forward-looking statements are not guarantees of future performance. You are cautioned to not place undue reliance on these forward-looking statements, which speak only as of their dates.** We do not undertake any obligation to update or revise any forward-looking statements.

PART I

ITEM 1. FINANCIAL STATEMENTS

Contents

CEN BIOTECH, INC. AND SUBSIDIARY
Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 22,004	$ 84,978
Property, plant and improvements, net	1,445,816	1,445,415
Other receivables	465,120	222,562
Note receivable - related party	44,859	44,859
Advances to CEN Biotech Ukraine LLC - related party	775,328	775,328
Deferred lease expense	190,058	217,210
Intangible assets, net	6,018,177	6,230,583
Total assets	$ 8,961,362	$ 9,020,935
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	$ 171,805	$ 104,828
Loans payable	10,117,369	9,981,883
Loans payable – related parties	1,062,090	838,923
Convertible notes payable	2,388,806	1,461,979
Convertible notes payable – related parties	1,098,000	2,210,313
Accrued interest	5,684,981	4,540,692
Accrued interest – related parties	768,997	592,901
Accrued expenses	339,977	295,874
Total current liabilities	21,632,025	20,027,393
Patent acquisition liability	620,000	5,000,000
Loans payable – related parties, less current portion	300,000	300,000
Convertible notes payable, less current portion	1,927,518	2,208,193
Convertible notes payable – related parties, less current portion	1,612,313	500,000
Total liabilities	26,091,856	28,035,586
Commitments and contingencies		
Shareholders' deficit		
Common stock; unlimited authorized shares; 25,373,243 and 25,131,843 issued and outstanding as of June 30, 2018 and December 31, 2017, respectively. No par value.	-	-
Additional paid-in capital	13,974,509	9,110,041
Accumulated deficit	(31,105,003)	(28,124,692)
Total shareholders' deficit	(17,130,494)	(19,014,651)
Total liabilities and shareholders' deficit	$ 8,961,362	$ 9,020,935

See accompanying notes to financial statements.

CEN BIOTECH, INC. AND SUBSIDIARY
Condensed Consolidated Statements of Operations
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2018	**2017 (As restated – Note 18)**	**2018**	**2017 (As restated – Note 18)**
Operating Expenses				
Consulting fees	$ 48,500	$ 107,600	$ 60,485	$ 197,600
Consulting fees and payroll – related parties	45,839	83,727	77,039	83,727
Stock based compensation	179,800	-	347,200	-
General and administrative	694,595	414,160	1,136,434	788,891
Total operating expenses	968,734	605,487	1,621,158	1,070,218
Loss from operations	(968,734)	(605,487)	(1,621,158)	(1,070,218)
Other income (expense)				
Interest expense	(608,670)	(504,570)	(1,203,173)	(994,787)
Interest expense – related parties	(105,292)	(83,285)	(209,578)	(163,424)
Foreign exchange gain (loss)	23,155	(30,953)	53,598	(44,143)
Other expense, net	(690,807)	(618,808)	(1,359,153)	(1,202,354)
Net loss	$ (1,659,541)	$ (1,224,295)	$ (2,980,311)	$ (2,272,572)
Net Loss Per Share:				
Basic and diluted	$ (0.07)	$ (0.18)	$ (0.12)	$ (0.33)
Weighted Average Common Shares Outstanding				
Basic and diluted	25,222,721	6,851,843	25,188,132	6,851,843

See accompanying notes to financial statements.

CEN BIOTECH, INC. AND SUBSIDIARY
Condensed Consolidated Statements of Shareholders' Deficit
(Unaudited)

	Preferred Shares	Special Preferred Shares Amount	Common Shares	Common Shares Amount	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Deficit
Balances, January 1, 2017	100,000	$ 10	6,851,843	$ -	$ 82	$ (14,044,238)	$ (14,044,146)
Net loss	-	-	-	-	-	(2,272,572)	(2,272,572)
Balances, June 30, 2017 (as restated – Note 18)	100,000	$ 10	6,851,843	-	$ 82	$ (16,316,810)	$ (16,316,718)
Balances, January 1, 2018	-	$ -	25,131,843	$ -	$ 9,110,041	$ (28,124,692)	$ (19,014,651)
Patent acquisition liability modification	-	-	-	-	4,380,000	-	4,380,000
Stock-based compensation	-	-	20,000	-	347,200	-	347,200
Issuance of common stock – interest shares	-	-	96,400	-	59,768	-	59,768
Issuance of common stock – legal consulting	-	-	125,000	-	77,500	-	77,500
Net loss	-	-	-	-	-	(2,980,311)	(2,980,311)
Balances, June 30, 2018	-	$ -	25,373,243	$ -	$13,974,509	$ (31,105,003)	$ (17,130,494)

See accompanying notes to financial statements.

CEN BIOTECH, INC. AND SUBSIDIARY
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended	
	June 30, 2018	June 30, 2017 (as restated – Note 18)
Cash flows from operating activities		
Net loss	$ (2,980,311)	$ (2,272,572)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	5,038	883
Amortization	212,406	212,406
Stock-based compensation - employees	347,200	-
Stock-based compensation - others	77,500	-
Non-cash interest expense	1,170,577	962,526
Non-cash interest expense – related parties	209,576	161,971
Deferred lease expense	27,152	27,151
Foreign exchange (gain) loss	(53,598)	44,143
Changes in operating assets and liabilities which provided (used) cash:		
Other receivables	(242,558)	(25,081)
Accounts payable	62,580	(128,185)
Accrued expenses	44,103	278,694
Net cash used in operating activities	(1,120,335)	(738,064)
Cash flows from investing activities		
Advance on business acquisition	-	(250,000)
Leasehold improvements in progress	(5,439)	(102,645)
Net cash used in investing activities	(5,439)	(352,645)
Cash flows from financing activities		
Issuance of loans payable	380,000	-
Repayment of loans payable	(230,000)	-
Issuance of loans payable - related parties	225,000	-
Issuance of convertible notes	707,800	-
Repayment of convertible notes	(20,000)	-
Issuance of convertible notes - related parties	-	1,199,963
Net cash provided by financing activities	1,062,800	1,199,963
Net (decrease) increase in cash and cash equivalents	(62,974)	109,254
Cash and cash equivalents, beginning of period	84,978	62,381
Cash and cash equivalents, end of period	$ 22,004	$ 171,635
Supplemental cash flows disclosures		
Cash paid for interest	$ 32,598	$ 33,714
Non-cash transactions - investing and financing activities		
Patent acquisition liability modification	$ 4,380,000	$ -
Conversion of rents due to convertible loan	$ -	$ 244,362

Accrued expense converted to convertible loans	$ -	$ 831,628

See accompanying notes to financial statements.

CEN BIOTECH, INC. AND SUBSIDIARY

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(All amounts are in US dollars unless otherwise stated.)

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information, and with the rules and regulations of the United States Securities and Exchange Commission (the "SEC") set forth in Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited interim financial statements furnished reflect all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. Unaudited interim results are not necessarily indicative of the results for the full fiscal year. These financial statements should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2017 and notes thereto.

There have been no material changes in the Company's significant accounting policies as compared to the significant accounting policies described in the Company's annual report on Form 10-K for the year ended December 31, 2017.

Loss per Share

Net loss per common share is computed pursuant to ASC 260-10-45. Basic loss per share is computed based on the weighted average number of common shares outstanding during the period. Diluted net loss per share is calculated by dividing net loss by the diluted weighted average common shares outstanding, which includes the effect of potentially dilutive securities. During periods when there is a net loss, all potentially dilutive shares are anti-dilutive and are excluded from the calculation of net loss per share. Diluted earnings per share is similarly computed except that the denominator includes the effect, using the treasury stock method, of unvested restricted stock and convertible notes, if including such potential shares of common stock is dilutive. For the three-months ended June 30, 2018 and 2017, and for the six-months ended June 30, 2018 and 2017, the common stock equivalents of the convertible note agreements were not included in diluted earnings per share computations because their effect was antidilutive.

NOTE 2 – GOING CONCERN UNCERTAINTY / MANAGEMENT PLANS

The accompanying consolidated financial statements have been prepared in contemplating continuation of the Company as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, a substantial doubt has been raised with regard to the ability of the Company to continue as a going concern. The Company has incurred significant operating losses and negative cash flows from operations since inception. The Company had an accumulated deficit of $31,105,003 at June 30, 2018 and had no committed source of debt or equity financing. The Company has not had any operating revenue and does not foresee any operating revenue in the near term. The Company has relied on the issuance of loans payable and convertible debt instruments to finance its expenses, including a note that is in default and is secured by the Company's equipment, as described in Note 7, and unsecured convertible notes in default as described in Note 9. The Company will be dependent upon raising additional capital through placement of our common stock, notes or other securities in order to implement its business plan or additional borrowings, including from related parties. There can be no assurance that the Company will be successful in either situation in order to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

The Company's cash position may not be sufficient to support the Company's daily operations or its ability to undertake any business activity that will generate net revenue.

NOTE 3 – NEW ACCOUNTING STANDARDS

Adoption of New Accounting Standards

On January 1, 2018, the Company adopted the new revenue recognition standard which requires entities to recognize revenue in a way that depicts the transfer of goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods or services. The Company is still in its startup phase and is not generating revenues at this time; therefore, this standard has no impact on its consolidated financial statements until revenues are generated. When revenues are generated, the Company will follow the provisions of the new standard.

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, to mainly change the accounting for investments in equity securities and financial liabilities carried at fair value as well as to modify the presentation and disclosure requirements for financial instruments. The ASU is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted. Adoption of the ASU is retrospective with a cumulative adjustment to retained earnings or accumulated deficit as of the adoption date. The adoption of this pronouncement did not have an impact on the Company's financial statements.

Accounting Standards Issued but Not Yet Adopted

In February 2016, the FASB issued an ASU which requires lessees to recognize lease assets and lease liabilities arising from operating leases on the balance sheet. This ASU is effective for annual and interim reporting periods beginning after December 15, 2018 using a modified retrospective approach, with early adoption permitted. The Company is currently evaluating the standard to determine the impact of its adoption on its consolidated financial statements. The Company will record a right-of-use asset and a lease liability upon adoption.

In June 2018, the FASB issued ASU No. 2018-07, Improvements to Nonemployee Share-Based Payment Accounting, to expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services for nonemployees. The ASU is effective for interim and annual periods beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the standard to determine the impact of its adoption on its consolidated financial statements. The Company will measure these nonemployee awards at fair value upon adoption.

NOTE 4 – PROPERTY, PLANT AND IMPROVEMENTS, NET

Property, plant and improvements, net consists of the following:

	June 30, 2018	December 31, 2017
Improvements in process	$ 1,436,278	$ 1,430,839
Furniture and equipment	17,668	17,668
Accumulated depreciation	(8,130)	(3,092)
Net property, plant and improvements	$ 1,445,816	$ 1,445,415

Depreciation expense was $4,596 and $441 for the three-months ended June 30, 2018 and 2017, respectively, and $5,038 and $883 for the six months ended June 30, 2018 and 2017, respectively.

Improvements in process as of June 30, 2018 and December 31, 2017, consists almost entirely of improvements to leased facilities at 20 North Rear Road. These represent the capitalized costs the Company incurred in constructing the improvements. As of June 30, 2018, $166,163 of the leasehold improvements are being amortized.

At this time, the Company cannot make the final additions that will be necessary for the sites to function as growing spaces, although there are currently grow rooms outfitted and ready to grow.

NOTE 5 – ADVANCES TO CEN BIOTECH UKRAINE

At June 30, 2018 and December 31, 2017, the Company had advances of $775,328 to CEN Biotech Ukraine, a related party, (see Note 13). The advances are unsecured, non-interest bearing, and are due on demand.

NOTE 6 – INTANGIBLE ASSETS

On September 12, 2016, the Company executed an agreement to acquire assets, including a patent related to LED Lighting, from Tesla Digital, Inc., a Canadian corporation, and Stevan (Steve) Pokrajac.

Material consideration given by Company was: (a) Shares of CEN common stock equal to $5 million upon commencement of public trading (b) The transfer of real properties located at 135 North Rear Road, Lakeshore, Ontario, Canada having a fair value of $2,161,467 and 1517-1525 Ridge Road having a purchase cost (including other related disbursements) to the Company of $202,666.

The patent intangible remains in escrow in the name of Tesla Digital, Inc. until full settlement of the terms of the agreement. In the interim, CEN has the rights to use the patented technology.

In addition, the Company will employ Stevan Pokrajac in connection with the development of the acquired technology with compensation equal to $200,000 per year, commencing with the start of operations.

In March 2018, the Tesla agreement was amended to replace the $5 million stock consideration commitment with commitment to issue one million registered shares of CEN common stock with a closing date of September 30, 2018. The modification of the agreement converted a fixed value of shares to a fixed number of shares. Due to the nature of this being all in equity, the liability was reduced and additional paid in capital was increased by $4,380,000 to reflect the fair value of the shares committed at the date of the amendment. This liability will be remeasured at each reporting date using the current fair value of CEN's common shares.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, or external appraisals, as applicable.

The intangible assets consist of the following:

	June 30, 2018	December 31, 2017
Lighting patent	$ 6,797,000	$ 6,797,000
Accumulated amortization	(778,823)	(566,417)
Net	$ 6,018,177	$ 6,230,583

The lighting patent is being amortized straight-line over approximately 16 years. Expected amortization expense is $424,812 per year through 2031, with the remaining $283,216 to be amortized in 2032.

NOTE 7 – LOANS PAYABLE

Loans payable consist of the following:

	June 30, 2018	December 31, 2017
Loan payable to Global Holdings International, LLC, which bears interest at 15% per annum after defaulting on the maturity date of June 30, 2016. This note is secured by the Company's equipment.	$ 9,675,000	$ 9,675,000
Mortgage payable to ARG & Pals, Inc., for the original amount of CAD $385,000. The mortgage bears interest at 22% per annum, with an extended maturity date of September 21, 2018.	292,369	306,883
Loan payable to an individual, issued January 17, 2018 with a 30-day maturity, bearing share interest of 2,000 common shares per 30-day period. This is an unsecured loan with an extended maturity date of August 16, 2018.	50,000	-
Loan payable to an individual, issued April 13, 2018, with a 30-day maturity, bearing share interest of 4,000 common shares per 30-day period. This is an unsecured loan with an extended maturity date of August 16, 2018	100,000	-
Total loans payable (all current)	$ 10,117,369	$ 9,981,883

The $9,675,000 loan in default is secured by certain equipment valued at approximately $11,000.

During the three-month period ended June 30, 2018, 26,000 common shares were issued to individuals for loans made to CEN. Accordingly, $16,120 in interest expense and additional paid-in capital was recorded. No such common shares were issued during the three-month period ended June 30, 2017.

During the six-month period ended June 30, 2018, interest in the form of 42,400 common shares were issued to individuals for loans and related loan extensions made to CEN. Accordingly, $26,288 in interest expense and additional paid-in capital was recorded.

NOTE 8 – LOANS PAYABLE – RELATED PARTIES

Loans payable – related parties consists of the following:

	June 30, 2018	December 31, 2017
Loan payable to the spouse of Bill Chaaban, President of CEN, bears an interest at 10% per annum. This is an unsecured loan with a maturity date of December 31, 2018.	$ 235,590	$ 237,423
Loan payable to a former director of Creative, former parent company, bears interest at 10% per annum. This is an unsecured loan with a maturity date of December 31, 2018.	601,500	601,500
Loan payable to R&D Labs Canada, Inc., whose president is Bill Chaaban, also the President of CEN, bearing interest at 8% per annum. This is an unsecured loan with a maturity date of October 2, 2019. R&D Labs Canada is a company owned by Bill Chaaban's spouse.	300,000	300,000
Loan payable to the spouse of Joseph Byrne, CEO of CEN, issued January 12, 2018 with a 30-day maturity, bearing share interest of 4,000 common shares per 30-day period. This is an unsecured loan with an extended maturity date of August 16, 2018.	100,000	-
Loan payable to Alex Tarrabain, a Director of CEN, issued January 17, 2018 with a 30-day maturity, bearing share interest of 3,000 common shares per 30-day period. This is an unsecured loan with an extended maturity date of August 16, 2018.	75,000	-
Loan payable to Joseph Byrne, CEO of CEN, issued January 24, 2018 with a 30-day maturity, bearing share interest of 2,000 common shares per 30-day period. This is an unsecured loan with an extended maturity date of August 16, 2018.	50,000	-
Total loans payable – related parties	1,362,090	1,138,923
Less current portion	1,062,090	838,923
Loans payable – related parties, less current portion	$ 300,000	$ 300,000

In March 2018, Bill Chaaban, President of CEN, fully assigned and transferred all rights, title, and interests in his loans and related accrued interest due from CEN to his spouse.

Attributable related party accrued interest was $303,541 and $248,100, as of June 30, 2018 and December 31, 2017, respectively. Interest expense attributable to related party loans was $43,367 and $20,992 for the three-months ended June 30, 2018 and 2017, respectively, and was $86,409 and $41,677 for the six-months ended June 30, 2018 and 2017, respectively.

During the three-month period ended June 30, 2018 interest in the form of 27,000 common shares were issued to related parties for loans and related loan extensions made to CEN. Accordingly, $16,740 in related party interest expense, as included above, and additional paid-in capital was recorded. No such common shares were issued during the three-month period ended June 30, 2017.

During the six-month period ended June 30, 2018, 54,000 common shares were issued to related parties for loans made to CEN. Accordingly, $33,480 in related party interest expense, as included above, and additional paid-in capital was recorded. No such common shares were issued during the six-month period ended June 30, 2017.

NOTE 9 – CONVERTIBLE NOTES

Convertible notes payable consist of the following:

	June 30, 2018	December 31, 2017
Convertible note payable, bearing interest at 7% per annum with conversion rights for 335,833 common shares. This is due on demand.	$ 838,919	$ 880,567
Convertible notes payable to multiple private investors bearing an interest at 5% annum with conversion rights for 2,150,463 common shares, maturing at various dates between September 2018 and June 2020.	3,460,205	2,789,605
Convertible notes payable in default to four unsecured private investors bearing an interest at 5% annum with conversion rights for 10,750 common shares, which matured in May and June 2018.	17,200	-
Total loans and convertible notes payable	4,316,324	3,670,172
Less current portion	2,388,806	1,461,979
Loans and convertible notes payable, less current portion	$ 1,927,518	$ 2,208,193

These notes may be converted at the option of the note holder at any time after registration of CEN's common stock upon written notice by the note holder. These notes are convertible into a total of 2,497,046 common shares.

NOTE 10 – CONVERTIBLE NOTES – RELATED PARTIES

Loans and convertible notes payable – related parties consist of the following:

	June 30, 2018	December 31, 2017
Convertible note due to the spouse of Bill Chaaban, President of CEN, which bears an interest at 12% per annum. This note is convertible to 867,576 common shares with a maturity date of August 17, 2020.	$ 1,388,122	$ 1,388,122
Convertible notes due to Harold Aubrey de Lavenu, a Director of CEN, bearing interest at 5% per annum. This note is convertible to 656,250 common shares with maturity dates between September 2018 and February 2019.	1,050,000	1,050,000
Convertible note due to Alex Tarrabain, a Director of CEN, bearing interest at 5% per annum. This note is convertible to 30,000 common shares with a maturity date of October 26, 2018.	48,000	48,000
Convertible notes due to Joseph Byrne, CEO of CEN, bearing interest at 12% per annum. This note is convertible to 140,120 common shares with a maturity date of August 17, 2020	224,191	224,191
Total loans and convertible notes payable	2,710,313	2,710,313
Less current portion	1,098,000	2,210,313
Loans and convertible notes payable, less current portion	$ 1,612,313	$ 500,000

In March 2018, Bill Chaaban, President of CEN, fully assigned and transferred all rights, title, and interests in his loans and related accrued interest due from CEN to his spouse.

Attributable related party accrued interest was $465,466 and $344,801 as of June 30, 2018 and December 31, 2017, respectively. Interest expense attributable to related party convertible notes was $61,925, and $61,026 for the three-months ended June 30, 2018 and 2017, respectively, and was $123,169 and $121,747 for the six-months ended June 30, 2018 and 2017, respectively.

These notes may be converted at the option of the note holder at any time after registration of CEN's common stock upon written notice by the note holder. These notes are convertible into a total of 1,693,946 common shares.

NOTE 11 – INCOME TAXES

A reconciliation of the effective tax rate of the income tax benefit and the statutory income tax rates applied to the loss before income taxes is as follows for the six-months ended June 30:

	2018	2017
Income tax benefit at Canadian statutory rate	26.5%	26.5%
Valuation allowance	(26.5%)	(26.5%)
Effective income tax rate	**0%**	**0%**

As of June 30, 2018, the Company has net operating loss carryforwards of approximately $25,300,000 that may be available to reduce future years' taxable income. Such carryforwards typically expire after 20 years. The Company currently has carry forwards that begin to expire in 2034. Future tax benefits which may arise as a result of these losses have not been recognized in these consolidated financial statements, because the Company believes that it is more likely than not that the carryforwards will expire unused and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss carry-forwards. The deferred tax asset and associated valuation allowance are as follows for the period ended June 30, 2018 and the year ended December 31, 2017:

	2018	2017
Deferred tax asset - net operating losses	$ 6,700,000	$ 5,900,000
Deferred tax asset valuation allowance	(6,700,000)	(5,900,000)
Net deferred tax asset	**$ -**	**$ -**

All other temporary differences are immaterial both individually and in the aggregate to the consolidated financial statements.

NOTE 12 – SHAREHOLDERS' DEFICIT

The Company is authorized to issue an unlimited number of common shares and an unlimited number of special voting shares. Common shares have no par value.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Company has received loans from several related parties, as described above in Notes 8 and 10.

There are advances of $775,328 to CEN Ukraine as of both June 30, 2018 and December 31, 2017. CEN Ukraine was founded by Bill Chaaban. Prior to December 3, 2017, Bill Chaaban directly owned 51% of CEN Ukraine. Subsequent to December 3, 2017, Mr. Chaaban directly owned 25.5% of CEN Ukraine. CEN Ukraine was founded to seek agricultural and pharmaceutical opportunities in Ukraine. Bill Chaaban personally funded the establishment and initial phases of CEN Ukraine. On December 14, 2017, the Company entered into a controlling interest purchase agreement with Bill Chaaban and another shareholder of CEN Ukraine for 51% of the outstanding equity interests of CEN Ukraine. The consideration will be paid by issuing common shares of the Company. The agreement, which is subject to certain conditions, has not closed as of August 14, 2018.

On July 12, 2017, the Company's Shareholders elected individuals to serve as Directors on the Board. These individuals hold long-term convertible notes payable issued prior to the election. All notes payable bear interest at 5% per annum and are convertible to common shares with various maturity dates. They became related parties when they were elected.

During the three-months ended June 30, 2018 and 2017, the Company incurred payroll and consulting fees with certain Board Members and Officers totaling $45,839 and $0, respectively. During the six-months ended June 30, 2018 and 2017, the Company incurred payroll and consulting fees with certain Board Members and Officers totaling $77,039 and $83,727, respectively. As of June 30, 2018, and December 31, 2017, $62,400 and $11,986, respectively, was payable to these related parties for payroll and consulting charges.

During 2017, the Company purchased equipment from R&D Labs Canada, Inc., whose president is Bill Chaaban, in exchange for a $300,000 note payable. This equipment was then sold to CEN Ukraine for a loss of $255,141 in exchange for a $44,859 note receivable, payable in 10 equal installments through 2026. Due to the related party relationship between CEN and R&D Labs Canada, Inc. via Bill Chaaban, the loss on the transaction was considered to be an equity transaction and therefore was included as a distribution of paid-in capital within the consolidated statements of shareholders' equity during 2017.

The Company leases 20 North Rear Road, a 10.4 acre site of land in Canada, through a sublease from a relative of the Company's President. There are two buildings on the site – one of 27,000 square feet and one of 53,000 square feet. There is also a 4,000 square foot vault for security purposes. The Company constructed improvements to this property, including structures and equipment for growing marijuana, security fencing required for licensing as a marijuana producer, and other infrastructure.

The 20 North Rear Road lease agreement began on September 1, 2013 and required annual rent payments of CAD $339,000, including tax. At December 31, 2016, the balance sheet included accrued rent of $552,934, owed to Jamaal Shaban ("Lessor"), cousin of Bill Chaaban. Concurrently, the Lessor had fallen behind on a mortgage payable on the property. Effective January 2017, the Company entered into agreements to terminate the initial lease, enter into a convertible debt note with the Lessor's creditor, and begin a new lease agreement for the same property. The new lease agreement calls for monthly rental payments of CAD $4,000 plus taxes for a period of five years. In exchange, the Company issued a debt of $824,446 in satisfaction of the accrued rent and future rent. The lease has been accounted for as an operating lease, and the amount of the note in excess of the accrued rent is treated as a deferred lease asset amortized over the 5-year lease. During each of the three-months ended June 30, 2018 and 2017, lease expenses of approximately $23,000 related to this agreement were recognized within general and administrative expenses. During each of the six-months ended June 30, 2018 and 2017, lease expenses of approximately $46,000 related to this agreement were recognized within general and administrative expenses.

NOTE 14 – STOCK BASED COMPENSATION

Adoption of Equity Compensation Plan

On November 29, 2017, the Board adopted the 2017 Equity Compensation Plan (the "Plan") providing for the granting of options to purchase shares of common stock, restricted stock awards and other stock-based awards to directors, officers, employees, advisors and consultants. The Company reserved 20,000,000 shares of common stock for issuance under the Plan. The Plan is intended to provide equity incentives to persons retained by our Company.

Employment Agreements

On November 30, 2017, employment agreements were entered into with four key members of management:

- Under the Employment Agreement with Bahige (Bill) Chaaban, President of the Company, Mr. Chaaban will receive compensation in the form of a base annual salary of $31,200 and a grant of 8,750,000 shares of restricted stock of the Company, of which 7,400,000 vested immediately and the remaining vesting ratably each month over the next 36 months.

- Under the Employment Agreement with Joseph Byrne, Chief Executive Officer of the Company, Mr. Byrne will receive compensation in the form of a base annual salary of $31,200 and a grant of 1,250,000 shares of restricted stock of the Company, of which 325,000 vested immediately and the remaining vesting ratably each month over the next 36 months.

- Under the Employment Agreement with Richard Boswell, Senior Executive Vice President and Chief Financial Officer of the Company, Mr. Boswell will receive compensation in the form of a base annual salary of $31,200 and a grant of 4,500,000 shares of restricted stock of the Company, of which 4,140,000 vested immediately and the remaining vesting ratably each month over the next 36 months.

- Under the Employment Agreement with Brian Payne, Vice President of the Company, Mr. Payne will receive compensation in the form of a base annual salary of $31,200 and a grant of 750,000 shares of restricted stock of the Company, of which 300,000 vested immediately and the remaining vesting ratably each month over the next 36 months.

Equity Compensation Grants

On November 30, 2017, the Company granted a one-time equity award ("Equity Award") of 20,000 restricted shares of the Company's common stock pursuant to a Restricted Stock Agreement, to each of the following executives and directors of the Company: Bahige "Bill" Chaaban, Chairman of the Board and President of the Company; Joseph Byrne, Chief Executive Officer and Director; Richard Boswell, Senior Executive Vice President, Chief Financial Officer and Director; Brian Payne, Vice President and Director; Donald Strilchuck, Director; Harold Aubrey de Lavenu, Director; Alex Tarrabain, Director; and Ameen Ferris, Director. The Equity Awards vested immediately.

In addition, as part of this one-time equity award, Donald Strilchuck, Director, received an additional 1,000,000 restricted shares of the Company's common stock for security consulting services, of which 550,000 vested immediately and the remaining vesting ratably each month over the next 36 months. Other individuals received a total of 1,870,000 restricted shares of the Company's common stock for consulting services performed, of which 1,330,000 vested immediately and the remaining vesting ratably each month over the next 36 months. The expense related to the restricted stock awarded to non-employees for services rendered was recognized on the grant date.

On June 7, 2018, the Company elected Dr. Usamakh Saadikh to serve as a director of the Company. As compensation for his role as a Director, the company granted a one-time equity award of 20,000 shares of the Company's common stock. This award vested immediately.

On June 19, 2018, the Company entered into an agreement with a law firm for the payment of its services under which the Company issued 125,000 shares of its common stock. This award vested immediately. The expense related to the restricted stock awarded to non-employees for services rendered was recognized on the grant date.

Restricted Stock Awards

The grant-date fair value of the restricted shares noted in the employment agreements and equity compensation grants sections above was $11,423,500. The grant-date fair value is calculated utilizing an enterprise valuation model as of the date the awards are granted. During 2017, 14,317,500 of these shares vested, with the remaining restricted stock units of 3,962,500 shares vesting pro-rata over the requisite service period, which is generally three years from the grant-date. In addition to the 145,000 shares that were granted and immediately vested during the six-months ended June 30, 2018, an additional 675,000 shares vested. Non-vested restricted stock awards participate in dividends and recipients are entitled to vote these restricted shares during the vesting period.

Compensation expense recognized in connection with the restricted stock awards was $179,800 and $347,200 for the three and six-months ended June 30, 2018. Legal expense, included within general and administrative, recognized in connection with the restricted stock awards was $77,500 for the three and six-months ended June 30, 2018.

Restricted stock award activity for the six-months ended June 30, 2018 is as follows:

	Number of Shares		Weighted-Average Grant Date Fair Value per Share	Weighted-Average Remaining Contractual Term (Years)
Non-vested at December 31, 2017	3,962,500	$	0.62	2.92
Granted	145,000	$	0.62	
Vested	(820,000)	$	0.62	
Forfeited	-		-	
Non-vested at June 30, 2018	3,287,500	$	0.62	2.50

The fair value of the restricted stock grants was based on the valuation of a third-party specialist. Unrecognized compensation expense related to restricted stock amounted to approximately $1,633,700 as of June 30, 2018. This expense will be recognized over the vesting period of the respective awards.

NOTE 15 – NET LOSS PER SHARE

During periods when there is a net loss, all potentially dilutive shares are anti-dilutive and are excluded from the calculation of diluted net loss per share. Based on the Company's application of the as-converted and treasury stock methods, all common stock equivalents were excluded from the computation of diluted earnings per share due to net losses as of June 30, 2018 and 2017. Common stock equivalents that were excluded for the three and six-months ended June 30, 2018 and 2017 are as follows:

	Three-months Ended June 30,		Six-months Ended June 30,	
	2018	2017	2018	2017
Convertible debt	4,426,111	3,499,709	4,089,891	2,626,046

NOTE 16 – CONTINGENCY

In connection with the distribution by Creative of CEN's common stock on February 29, 2016 and the Form 10 registration statement filed by CEN to register its shares of common stock under the Exchange Act, CEN received comments by the Staff of the Securities and Exchange Commission, including a letter dated May 4, 2016 in which the Staff noted that they "…continue to question the absence of Securities Act registration of the spin-off distribution". In the event that the distribution of shares of CEN's common stock was a distribution that required registration under the Securities Act, then the Company could be subject to enforcement action by the SEC that claims a violation of Section 5 of the Securities Act and could be subject to a private right of action for rescission or damages. Based on management's estimate, any potential liability related to this matter would not be material.

NOTE 17 – FAIR VALUE DISCLOSURES

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability assuming an orderly transaction in the most advantageous market at the measurement date. U.S. GAAP establishes a hierarchical disclosure framework that prioritizes and ranks the level of observability of inputs used in measuring fair value.

The fair value of the Company’s financial instruments are as follows:

		Fair Value Measured at Reporting Date Using			
	Carrying Amount	Level 1	Level 2	Level 3	Fair Value
At June 30, 2018:					
Cash and cash equivalents	$ 22,004	$ -	$ 22,004	$ -	$ 22,004
Other receivables	$ 465,120	$ -	$ -	$ 465,120	$ 465,120
Note receivable - related party	$ 44,859	$ -	$ -	$ 44,859	$ 44,859
Advances to CEN Biotech Ukraine, LLC – related party	$ 775,328	$ -	$ -	$ 775,328	$ 775,328
Loans payable	$ 10,117,369	$ -	$ -	$ 10,117,369	$ 10,117,369
Loans payable – related parties	$ 1,362,090	$ -	$ -	$ -	$ -
Convertible notes payable	$ 4,316,324	$ -	$ -	$ 4,585,314	$ 4,585,314
Convertible notes payable – related parties	$ 2,710,313	$ -	$ -	$ -	$ -

	Carrying Amount	Level 1	Level 2	Level 3	Fair Value
At December 31, 2017:					
Cash and cash equivalents	$ 84,978	$ -	$ 84,978	$ -	$ 84,978
Other receivables	$ 222,562	$ -	$ -	$ 222,562	$ 222,562
Note receivable - related party	$ 44,859	$ -	$ -	$ 44,859	$ 44,859
Advances to CEN Biotech Ukraine, LLC – related party	$ 775,328	$ -	$ -	$ 775,328	$ 775,328
Loans payable	$ 9,981,883	$ -	$ -	$ 9,981,883	$ 9,981,883
Loans payable – related parties	$ 1,138,923	$ -	$ -	$ -	$ -
Convertible notes payable	$ 3,670,172	$ -	$ -	$ 3,831,760	$ 3,831,760
Convertible notes payable – related parties	$ 2,710,313	$ -	$ -	$ -	$ -

The fair values of other receivables, note receivable - related party, and advances to CEN Biotech Ukraine, LLC approximates carrying value due to the terms of the instruments.

The fair value of the loans payable approximates carrying value due to the terms of such instruments and applicable interest rates.

The fair value of convertible notes payable is based on the par value plus accrued interest through the date of reporting due to the terms of such instruments and interest rates.

It is not practicable to estimate the fair value of loans payable – related parties and convertible notes payable – related parties due to their related party nature.

NOTE 18 – RESTATEMENT

As a result of the restatement of the previously issued 2016 consolidated financial statements, as further described in the Company's annual report on Form 10-K for the year ended December 31, 2017, the January 1, 2017 accumulated deficit was increased by $654,453. Furthermore, as a result of the audit for the year ended December 31, 2017, the net loss reported for three and six-months ended June 30, 2017 has been increased (decreased) by $82,878 and ($105,754), respectively, and accumulated deficit increased by $548,700 to reflect the net correction of the errors identified in previously reported 2017 and 2016 results, primarily related to the recognition of a liability for a commitment of $5,000,000 worth of common stock to be issued in the future as consideration in the acquisition of the patent intangible described in Note 6 and related to the 2017 deferral on the recognition of rental expense related to a lease agreement. The recognition of the $5,000,000 liability in the restated 2016 results created a corresponding increase in the associated cost basis of the patent. The increase in the value recognized for the patent intangible in 2016 caused an increase in amortization expense to be taken in each subsequent period. The deferral of the rental expense as of January 1, 2017 in the restated results for the three and six-month period ended June 30, 2017 resulted in a decrease in the rental expense taken in the first six months of 2017.

In addition, as a result of the restatement of the previously issued 2016 consolidated financial statements, as further described in the Company's annual report on Form 10-K for the year ended December 31, 2017, the January 1, 2017 balance of common stock was reduced by $3. It was also determined that the common stock was no-par and the associated amounts recorded within common stock was reclassified to additional paid-in capital.

In addition, certain reclassifications were noted related to interest expense. These had no net impact on consolidated results.

The effect on the Company's previously issued three and six-month period ended June 30, 2017 consolidated financial statements is summarized as follows:

Consolidated Balance Sheet as of June 30, 2017

	Previously Reported	Increase (Decrease)	As Restated
Deferred lease expense	$ -	$ 244,362	$ 244,362
Intangible assets, net	2,246,052	4,196,938	6,442,990
Patent acquisition liability	-	5,000,000	5,000,000
Accrued expenses	287,650	(3)	287,649
Common stock	85	(85)	-
Additional paid-in capital	10,000	(9,918)	82
Accumulated deficit	(15,758,015)	(548,700)	(16,316,810)

Consolidated Statement of Operations for the three-months ended June 30, 2017

	Previously Reported	Increase (Decrease)	As Restated
Consulting fees	$ 212,326	$ (104,726)	$ 107,600
Consulting fees and payroll – related parties	-	83,727	83,727
General and administrative	310,283	103,877	414,160
Interest expense	62,825	441,745	504,570
Interest expense – related parties	525,030	(441,745)	83,285

Consolidated Statement of Operations for the six-months ended June 30, 2017

	Previously Reported	Increase (Decrease)	As Restated
Consulting fees	$ 302,327	$ (104,727)	$ 197,600
Consulting fees and payroll – related parties	-	83,727	83,727
General and administrative	873,645	(84,754)	788,891
Interest expense	1,033,381	(38,594)	994,787
Interest expense – related parties	124,830	38,594	163,424

NOTE 19 – SUBSEQUENT EVENT

On July 31, 2018, the Company entered into a Share Purchase Agreement with AstralENERGY Solar Manufacturing Corporation, LTD. ("AstralENERGY") to acquire 70% of the outstanding common stock of AstralENERGY. The Company will issue an aggregate 2,500,000 shares of common stock of the Company as consideration for the acquisition. AstralENERGY is a manufacturer of architecturally designed solar panels for residential and commercial solar production and has also developed integrated multi-function LED street lighting systems. Consummation of the acquisition is subject to the completion of certain conditions specified in the agreement.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Background and Overview

CEN Biotech, Inc. ("CEN" or the "Company") is a Canadian holding company, incorporated in Canada on August 4, 2013 as a subsidiary of Creative Edge Nutrition, Inc. ("Creative"), a Nevada corporation. Creative separated its planned specialty pharmaceutical business located in Canada by transferring substantially all of the assets and liabilities of the planned specialty pharmaceutical business to CEN and effecting a distribution ("Spin Off Distribution") of CEN common stock to Creative shareholders on February 29, 2016. The Spin-Off Distribution was expected to be tax free for U.S. Federal income tax purposes.

Prior to the Spin Off Distribution, CEN initially pursued the cannabis business in Canada and obtained funding to build the initial phase of its comprehensive seed-to-sale facility and applied to obtain a license in Canada to begin operating its state-of-the-art medical marijuana cultivation, processing, and distribution facility in Lakeshore, Ontario. On March 11, 2015, the Company's application for a license to produce marijuana for medical purposes was formally rejected by Canadian regulatory authority. On February 1, 2016 the Company commenced legal action against the Attorney General of Canada in the Ontario Superior Court of Justice for damages for detrimental reliance, economic loss, and prejudgment and post judgment interest, costs of the proceeding and other relief that the court may seem just. As of August 14, 2018, the action in the Ontario Superior Court of Justice is still ongoing. After evaluating this action, the Company decided to not pursue the development of its medical marijuana business and to seek to develop and pursue other businesses that are related to the cannabis and other industries, including Light Emitting Diode ("LED") lighting and hemp products for industrial, medical and food products that have a tetrahydrocannabinol (THC) that is below 0.3%.

We are focused on the manufacturing, production and development of products within the cannabis industry, including the LED lighting technology and hemp products. The Company intends to explore the usage of hemp, which it intends to cultivate for usage in industrial, medical and food products.

At present we are not able to estimate if or when we will be able to generate revenues. Our consolidated financial statements have been prepared assuming that we will continue as a going concern; however, given our recurring losses from operations, our independent registered public accounting firm has determined there is substantial doubt about our ability to continue as a going concern.

Subsequent Event

On July 31, 2018, the Company entered into a Share Purchase Agreement with AstralENERGY Solar Manufacturing Corporation, LTD. ("AstralENERGY") as described in NOTE 19 – SUBSEQUENT EVENTS.

Results of Operations

We have incurred recurring losses and have not commenced revenue generating operations to date. Our expenses to date are primarily our general and administrative expenses and fees, costs and expenses related to acquisitions and operations. Our condensed consolidated financial statements have been prepared assuming that we will continue as a going concern and, accordingly, do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation.

The accompanying consolidated financial statements have been prepared in contemplating continuation of the Company as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, a substantial doubt has been raised with regard to the ability of the Company to continue as a going concern. The Company has incurred significant operating losses and negative cash flows from operations since inception. The Company had an accumulated deficit of $31,105,003 at June 30, 2018 and had no committed source of debt or equity financing. The Company has not had any operating revenue and does not foresee any operating revenue in the near term. The Company has relied on the issuance of loans payable and convertible debt instruments to finance its expenses, including a note that is in default and is secured by the Company's equipment and certain unsecured convertible notes payable. The Company will be dependent upon raising additional capital through placement of our common stock, notes or other securities in order to implement its business plan or additional borrowings, including from related parties. There can be no assurance that the Company will be successful in either situation in order to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

The Company's cash position may not be sufficient to support the Company's daily operations or its ability to undertake any business activity that will generate net revenue.

Results of Operations for the Three and Six-Months Ended June 30, 2018 and 2017:

The following tables reflect our operating results for the three and six-months ended June 30, 2018 and 2017, respectively:

Operating Summary	Three-months ended June 30, 2018	Three-months ended June 30, 2017 (as restated)	Change
Revenues, net	$ -	$ -	-
Cost of Goods Sold	-	-	-
Gross Profit	-	-	-
Operating Expenses	968,734	605,487	60.0%
Loss from Operations	968,734	605,487	60.0%
Other Expense	690,807	618,808	11.6%
Net Loss	$ 1,659,541	$ 1,224,295	35.6%

Operating Summary	Six-months ended June 30, 2018	Six-months ended June 30, 2017 (as restated)	Change
Revenues, net	$ -	$ -	-
Cost of Goods Sold	-	-	-
Gross Profit	-	-	-
Operating Expenses	1,621,158	1,070,218	51.5%
Loss from Operations	1,621,158	1,070,218	51.5%
Other Expense	1,359,153	1,202,354	13.0%
Net Loss	$ 2,980,311	$ 2,272,572	31.3%

Revenue

We have not recognized revenue during the three and six-months ended June 30, 2018 and 2017, as we have not commenced revenue generating operations to date.

Operating Expenses

During the three months ended June 30, 2018, our operating expenses were $968,734 compared to $605,487 during the six months ended June 30, 2017. During the three months ended June 30, 2018, our operating expenses were comprised of salary and consulting fees of $94,339, stock-based compensation expense of $179,800, and general and administrative expenses of $694,595. By comparison, during the three months ended June 30, 2017, our operating expenses were comprised of salary and consulting fees of $191,327, and general and administrative expenses of $414,160. Expenses incurred during the three months ended June 30, 2018 compared to three months ended June 30, 2017 increased primarily due to stock-based compensation and professional fees. Professional fees generally include financial, legal and administrative contracted services.

During the six months ended June 30, 2018, our operating expenses were $1,621,158 compared to $1,070,218 during the six months ended June 30, 2017. During the six months ended June 30, 2018, our operating expenses were comprised of salary and consulting fees of $137,524, stock-based compensation expense of $347,200, and general and administrative expenses of $1,136,434. By comparison, during the six months ended June 30, 2017, our operating expenses were comprised of salary and consulting fees of $281,327, and general and administrative expenses of $788,891. Expenses incurred during the six months ended June 30, 2018 compared to six months ended June 30, 2017 increased primarily due to stock-based compensation and professional fees. Professional fees generally include financial, legal and administrative contracted services.

Other Income and Expense Items

During the three months ended June 30, 2018, our other expense items totaled $690,807 compared to $618,808 during the three months ended June 30, 2017. During the three months ended June 30, 2018, our other expense items were comprised of interest expense of $713,962 and foreign exchange gain of $23,155. By comparison, during the three months ended June 30, 2017, our other expense items were comprised of interest expense of $587,855, and foreign exchange loss of $30,953.

During the six months ended June 30, 2018, our other expense items totaled $1,359,153 compared to $1,202,354 during the six months ended June 30, 2017. During the six months ended June 30, 2018, our other expense items were comprised of interest expense of $1,412,751 and foreign exchange gain of $53,598. By comparison, during the six months ended June 30, 2017, our other expense items were comprised of interest expense of $1,158,211 and foreign exchange loss of $44,143.

Net Loss

Our net loss during the three months ended June 30, 2018 was $1,659,541 compared to a net loss of $1,224,295 during the three months ended June 30, 2017 due to the factors discussed above.

Our net loss during the six months ended June 30, 2018 was $2,980,311 compared to a net loss of $2,272,572 during the six months ended June 30, 2017 due to the factors discussed above.

Liquidity and Capital Resources

As of June 30, 2018, we had assets of $8,961,362, comprised of cash of $22,004, net property and equipment of $13,692, leasehold improvements of $1,432,124, a note receivable from a related party of $44,859, other receivables of $465,120, deferred lease expense of $190,058, an advance to CEN Biotech Ukraine, LLC, a related party, of $775,328, and net intangibles of $6,018,177. As of June 30, 2018, we had liabilities of $26,091,856 comprised of patent acquisition liability of $620,000, loans from related parties of $1,362,090, loans payable of $10,117,369, accrued interest and other expenses of $6,793,955, accounts payable of $171,805, convertible notes- related parties of $2,710,313 and convertible notes of $4,316,324.

Our indebtedness includes a patent acquisition liability of $620,000, accrued interest of $5,684,981, accrued interest to related parties of $768,997, as well as loans payable, loans payable to related parties, loans payable share interest, loans payable share interest to related parties, convertible notes and convertible notes to related parties totaling $18,506,096, with maturity dates as outlined below. We are in default of $9,675,000 of debt that is secured by certain equipment that we value at approximately $11,000. We are also in default of $17,200 of unsecured debt. We expect our operating and administrative expenses to be at least $2,400,000 annually. The convertible notes are due 2 years from issuance with notes maturing in 2018 through 2020.

Description	Maturity Date	Amount
Loan Payable	6/30/2016	$ 9,675,000
Loan Payable	9/21/2018	292,369
Loan Payable – Related Party	12/31/2018	837,090
Loan Payable – Related Party	10/2/2019	300,000
Loan Payable – Share Interest	8/16/2018	150,000
Loan Payable – Share Interest – Related Party	8/16/2018	225,000
Convertible Notes	On Demand	838,919
Convertible Notes	Q2 2018	17,200
Convertible Notes	Q3 2018	508,612
Convertible Notes	Q4 2018	52,600
Convertible Notes	Q1 2019	566,475
Convertible Notes	Q2 2019	405,000
Convertible Notes	Q3 2019	791,017
Convertible Notes	Q4 2019	448,701
Convertible Notes	Q1 2020	591,800
Convertible Notes	Q2 2020	96,000
Convertible Notes Related Party	Q3 2018	100,000
Convertible Notes Related Party	Q4 2018	498,000
Convertible Notes Related Party	Q1 2019	500,000
Convertible Notes Related Party	Q3 2020	1,612,313
		$ 18,506,096

We intend to fund our expenses through the issuance and sale of additional securities. We do not have any commitments from any persons to purchase any securities and there can be no assurance that we will be able to raise sufficient funds to pay our liabilities as they become due and payable.

Six Months Ended June 30, 2018 and 2017

Cash Flows from Operating Activities

We have not generated positive cash flows from operating activities. During the six months ended June 30, 2018, we used $1,120,335 in operating activities compared to $738,064 used in operating activities during the six months ended June 30, 2017. The increase between the two periods related primarily to increases in professional fees compared to the six months ended June 30, 2017.

Cash Flows from Investing Activities

Our use of cash flow for investing activities during the six months ended June 30, 2018 was $5,439 compared to the six months ended June 30, 2017 of $352,645. During the six months ended June 30, 2018, our use of cash flows for investing activities were comprised of leasehold improvements of $5,439. By comparison, during the six months ended June 30, 2017, our use of cash flows for investing activities was comprised of advances to CEN Ukraine of $250,000 and leasehold improvements of $102,645.

Cash Flows from Financing Activities

During the six months ended June 30, 2018, we received $1,312,800 by way of loans of nonconvertible promissory notes, convertible notes and share interest loans payable from investors to fund our working capital requirements. During the six months ended June 30, 2018, $230,000 of the share interest loans payable were repaid, and $20,000 of the convertible notes were repaid. During the six months ended June 30, 2017, we received $1,199,963 by way of loans of convertible notes from investors to fund our working capital requirements.

CEN has no committed source of debt or equity financing. Our Executive team and Board are seeking additional financing from their business contacts, but no assurances can be given that such financing will be obtained or, if obtained, on what terms.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K, obligations under any guarantee contracts or contingent obligations. We also have no other commitments, other than the costs of being a reporting company that will increase our operating costs or cash requirements in the future.

Jumpstart Our Business Startups Act of 2012

The Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") provides that an emerging growth company can take advantage of certain exemptions from various reporting and other requirements that are applicable to public companies that are not emerging growth companies. We currently take advantage of some, but not all, of the reduced regulatory and reporting requirements that are available to us for as long as we qualify as an emerging growth company. Our independent registered public accounting firm will not be required to provide an attestation report on the effectiveness of our internal control over financial reporting for as long as we qualify as an emerging growth company.

Recent Accounting Pronouncements

Adoption of New Accounting Standards

On January 1, 2018, the Company adopted the new revenue recognition standard which requires entities to recognize revenue in a way that depicts the transfer of goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods or services. The Company is still in its startup phase and is not generating revenues at this time; therefore, this standard has no impact on its consolidated financial statements until such time as revenues are generated. When revenues are generated, the Company will follow the provisions of the new standard.

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, to mainly change the accounting for investments in equity securities and financial liabilities carried at fair value as well as to modify the presentation and disclosure requirements for financial instruments. The ASU is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted. Adoption of the ASU is retrospective with a cumulative adjustment to retained earnings or accumulated deficit as of the adoption date. The adoption of this pronouncement did not have an impact on the Company's financial statements.

Accounting Standards Issued but Not Yet Adopted

In February 2016, the FASB issued an ASU which requires lessees to recognize lease assets and lease liabilities arising from operating leases on the balance sheet. This ASU is effective for annual and interim reporting periods beginning after December 15, 2018 using a modified retrospective approach, with early adoption permitted. The Company is currently evaluating the standard to determine the impact of its adoption on its consolidated financial statements. The Company will record a right-of-use asset and a lease liability upon adoption.

In June 2018, the FASB issued ASU No. 2018-07, Improvements to Nonemployee Share-Based Payment Accounting, to expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services for nonemployees. The ASU is effective for interim and annual periods beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the standard to determine the impact of its adoption on its consolidated financial statements. The Company will measure these nonemployee awards at fair value upon adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a smaller reporting company, we are not required to provide the information called for by this Item.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our principal executive officer to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, the Company recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance of achieving the desired control objectives, and we necessarily are required to apply our judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the last quarterly period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, does not expect that the Company’s disclosure controls and procedures or the Company’s internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of the controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Evaluation of disclosure and controls and procedures

As of June 30, 2018, our management conducted an assessment of the effectiveness of the Company's internal control over disclosure controls and procedures and financial reporting. In making this assessment, management followed an approach based on the framework set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (known as “COSO”). In connection with management’s evaluation of the effectiveness of the Company’s internal control over financial reporting as of June 30, 2018, management determined that the Company did not maintain effective controls over the completeness, existence, accuracy and presentation and disclosure of the accounting for the acquisition of a patent and deferral on the recognition of rental expense related to a lease agreement for financial reporting, which resulted in a restatement of the previously issued June 30, 2017 condensed consolidated financial statements. Management determined that the ineffective controls over financial reporting constitute a material weakness.

Remediation of the Material Weakness in Internal Control Over Financial Reporting

We are currently working to remediate the material weakness referred to above with respect to our financial reporting. We have reviewed the design of our current review control over financial reporting, in particular, with regards to non-routine transactions such as acquisitions of intangibles, to determine appropriate improvements and implement enhanced procedures. As part of these enhanced procedures, we are outsourcing some of our accounting and oversight roles to a qualified accounting firm, and then management will execute the review process.

We believe these measures will remediate the control deficiency identified above and will strengthen our internal control over financial reporting. We currently are working with this accounting firm and are targeting to complete the implementation of the control enhancements during 2018. We will test the ongoing operating effectiveness of the new controls subsequent to implementation, and consider the material weakness remediated after the applicable remedial controls operate effectively for a sufficient period of time.

Revisions to disclosure Controls and Procedures

Management recognized the need for additional resources in the area of accounting and financial reporting controls and procedures. As a result, we have outsourced the accounting and financial reporting oversight roles to a qualified accounting firm with public company reporting expertise.

Readers are cautioned that internal control over financial reporting, no matter how well designed, has inherent limitations and may not prevent or detect misstatements. Therefore, even effective internal control over financial reporting can only provide reasonable assurance with respect to the financial statement preparation and presentation.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. We are not currently a party, as plaintiff or defendant, to any legal proceedings that we believe to be material or which, individually or in the aggregate, would be expected to have a material effect on our business, financial condition or results of operation if determined adversely to us.

ITEM 1A. RISK FACTORS.

As a smaller reporting company, we are not required to provide the information called for by this Item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Between April 10, 2018 and June 30, 2018, CEN entered into loans and associated extension agreements with various parties. In consideration for such loans and associated extensions, CEN granted various individuals total aggregate amount of 53,000 and 96,400 unregistered shares of common stock of CEN during the three and six months ended June 30, 2018, respectively.

On June 7, 2018, the Company elected Dr. Usamakh Saadikh to serve as a director of the Company. As compensation for his role as a Director, the company granted a one-time equity award of 20,000 shares of the Company's common stock. This award vested immediately.

On June 19, 2018, the Company entered into an agreement with a law firm which included, as compensation, a grant of a one-time equity award of 125,000 shares of the Company's common stock. This award vested immediately.

The unregistered shares of common stock were issued in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended and the provisions of Regulation D promulgated thereunder or in reliance on the provisions of Regulation S promulgated thereunder.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

CEN has a payment default with respect to the term loan payable to Global Holdings International, LLC, in the principal amount of $9,675,000 and which bears compound interest at 15% per annum which was due on June 30, 2016. The aggregate amount due under this loan as of August 14, 2018 is $15,332,361. Interest and default interest and related fees currently accrue at approximately $524,000 per quarter. This note is secured by some of the Company's equipment which we value at approximately $11,000.

CEN has a payment default with respect to four unsecured convertible loans payable to four private investors, in the principal amount of $17,200 and which bear interest at 5% per annum which were due in May and June 2018. The aggregate amounts due under these loans as of August 14, 2018, including accrued interest, is approximately $19,000. Interest and default interest and related fees currently accrue at approximately $210 per quarter.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit No.	**Description**

The financial statement schedules and exhibits filed as part of this Quarterly Report on Form 10-Q are as follows:

a. Exhibits

Exhibit No.	**Description**
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance*
101.SCH	XBRL Taxonomy Extension Schema*
101.CAL	XBRL Taxonomy Extension Calculation*
101.DEF	XBRL Taxonomy Extension Definition*
101.LAB	XBRL Taxonomy Extension Labels*
101.PRE	XBRL Taxonomy Extension Presentation*

* Filed herein.
** Furnished herewith.

b. Financial Statement Schedules

None

SIGNATURES

Pursuant to the requirements of Section 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 14, 2018

CEN BIOTECH, INC.

By: */s/ Joseph Byrne*
Name: Joseph Byrne
Title: Chief Executive Officer