CE Brands Inc.

Management's Discussion and Analysis

For the interim period ended December 31, 2022

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The following Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of the operations of CE Brands Inc. ("**CEBI**" or the "**Company**" is a public company traded on the TSX Venture Exchange (the "**TSXV**") under the symbol CEBI) constitutes management's review of the factors that affected the Company's financial and operating performance for the three- and nine-month periods ended December 31, 2022 and December 31, 2021. This MD&A should be read in conjunction with the Company's unaudited Condensed Interim Consolidated Financial Statements and accompanying notes for the three and nine month periods ended December 31, 2022 and December 31, 2021 (the "**Interim Financial Statements**"), as well as the audited financial statements of the Company for the years ended March 31, 2022 and March 31, 2021, together with the notes thereto which have been prepared in accordance with International Accounting Standard ("**IAS**") 34 and Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), respectively. The Company's financial statements are available on SEDAR at www.sedar.com.

This MD&A is dated March 1, 2023. All dollar amounts in this MD&A are in Canadian Dollars unless otherwise indicated.

FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws. In general, forward-looking information is disclosure about future conditions, courses of action, and events, including information about prospective financial performance or financial position. The use of any of the words "anticipates", "believes", "expects", "intends", "plans", "will", "would", and similar expressions are intended to identify forward-looking information. Forward-looking statements included or incorporated by reference in this MD&A include, without limitation, with respect to:

- the possibility that COVID-19 could impact the Company's revenues and ability to provide its products and services going forward;
- the goal of the Company to bring the most insightful consumer product intelligence to its world class manufacturing, brand and retail partners;
- the ability of the Company to use Product Loop to identify product categories that show signs of growth, identify the product features that lead to the growth of a product category, identify changes in consumer patterns over time, estimate sales trends, and gain insight into market conditions by product category and country;
- the Company's intent to maintain a flexible capital structure in order to pursue additional investment opportunities;
- the likelihood that global supply constraints will continue to occur and impact the Company;
- the need for the Company to pursue additional sources of financing and the ability of the Company to obtain such additional sources of financing;
- the Company's expectations with respect to additional product launches in calendar year 2023;
- the level of demand for the Company's products and the Company's ability to increase production to meet such expected demand;
- the Company's expectations with respect to trends or fluctuations in liquidity as a result of seasonality;

- the Company's intention to focus on conserving cash and improving near-term profitability through streamlining its current product lines, lowering unit costs and better positioning the Company to meet delivery schedules for its current products;
- the Company's expectations with respect to liquidity risks associated with the financial instruments of the Company;
- the intention of the Company to manage its capital structure and make changes thereto in response to changes to economic conditions and risks associated with the nature of the business;
- the Company's ability to generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to December 31, 2022, and the need for the Company to raise funds by way of equity or debt issuances or take other measures to improve profitability;
- the Company's intention to closely monitor cash and take necessary measures to manage its liquidity risk, such as reducing spending, improving profitability and raising funds as required;
- the likelihood of the Company employing the use of various financial instruments to manage exposure to foreign exchange risk;
- the Company's goal of reducing its general and administrative expenses.

The forward-looking information is based on certain key expectations and assumptions, including the continuance of manufacturing operations at the Company's partner factories in Asia, the timing of product launches, shipments and deliveries, forecast sales price and sales volumes of the Company's products and the ability of the Company to secure additional sources of financing in 2023.

There can be no assurance that the Company will be able to secure additional financing in the future in a timely manner or at all. If the Company fails to secure additional financing, the Company may have insufficient liquidity and capital resources to operate its business resulting in material uncertainty regarding the Company's ability to meet its financial obligations as they become due and continue as a going concern.

Although CEBI believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because CEBI cannot give any assurance that it will prove to be accurate. By its nature, forward-looking information is subject to various risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed in this MD&A. Such risks and uncertainties include, without limitation: the risks described in the "Other Risk Factors" section of this MD&A; the impact of the evolving COVID-19 pandemic on the Company's business, operations and sales; general business, economic, competitive, political and social uncertainties; general capital market conditions and market prices for securities; delay or failure to receive board of directors, third-party or regulatory approvals; competition; changes in legislation affecting CEBI; lack of qualified, skilled labour or loss of key individuals; tax uncertainties from transactions in domestic and foreign jurisdictions; foreign operation risks including unexpected changes in governmental laws, policies, regulations or project locations concerning the import and export of goods, services and technology; operational and financial infrastructure risks including capacity constraints and pressure on internal systems and controls; incorrect forecasts and models; insurance risks; the inability to respond to customer demands with products failing to achieve market acceptance; litigation risks including product liability; transaction risks; technological risks such that the precise segment of the market targeted by the Company is characterized by rapid technological change with complex and uncertain processes of developing new technology; physical and cyber security risks; intellectual property right risks including the inability to develop patentable technology, and successfully obtain exclusive protection rights for its technology; seasonality risk with earnings volatility associated with increasing transaction-based revenues possibly affecting the Company to access capital; reliance on third party manufacturers and suppliers; third-party licenses risk such that the Company relies on licenses from third-parties and there can be no assurance that these third-party licenses will continue to be available to the Company on commercially reasonable terms; the Company's ability to stabilize its business and secure sufficient capital, which may not be available in a timely manner or at all; the Company's available liquidity being insufficient to operate its business and meet its financial commitments, which could result in the Company having to refinance or restructure its debt, sell assets or seek to raise additional capital, which may be on unfavorable terms, if available at all; the inability to implement the Company's objectives and priorities for 2023 and beyond, which could result in financial strain on the Company and continued pressure on the Company's business; risks associated with developing and launching new products; sales and marketing risks including the lack of assurances that the Company will experience future benefits from sales and marketing expenditures; the risk of failing to expand distribution and sales into new markets; increased indebtedness and leverage; the fact that historical and projected financial information may not be representative of the Company's future results; the inability to position the Company for long-term growth; the fact that the Company has a limited history of operations as a public company; the Company's history of operating losses and negative cash flows and absence of guarantee that it will become cash flow positive or profitable; the actual results of CEBI's future operations; risks associated with issuing new equity including the possible dilution of the Company's outstanding Common Shares; the value of existing equity following the completion of any financing transaction; trading price risks whereby the Company's Common Shares may be subject to significant fluctuations which may make it more difficult for shareholders to sell their Common Shares; the Company defaulting on its obligations, which could result in the Company having to file for bankruptcy or undertake a restructuring proceeding; the Company being put into a bankruptcy or restructuring proceeding; and the risk factors included in CEBI's other continuous disclosure documents available on SEDAR at www.sedar.com. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date of this MD&A, and to not use such forward-looking information other than for its intended purpose. CEBI undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events, or otherwise, except as required by applicable securities law.

Russia and Ukraine

The geopolitical situation in Eastern Europe intensified in February 2022, with Russia's invasion of Ukraine. The Russian war in Ukraine resulted in the U.S., UK, and the European Union member governments, among others, placing economic sanctions on numerous Russian entities, specific Russian-controlled entities, as well as Belarus. For the quarter ended December 31, 2022, the Company does not have any sales to customers in Russia, Ukraine and Belarus. The Company does not have significant contracts with customers in Russia and Ukraine and the Company does not anticipate any material impact on the Company's future results of operations or financial position associated with these events. The long-term impacts of the Russian war in Ukraine remain uncertain and will continue to be assessed in future periods.

COVID-19

On January 31, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The Company's operations have been negatively impacted by the regional and global outbreak of COVID-19 including the lockdowns that occurred in China during April and May 2022 followed by quarantine regulations so far. Any quarantines, supply chain and labor shortages or other disruptions to the Company's operations, or those of its customers, adversely impacted the Company's revenues, ability to provide its products and services and may continue to adversely impact the Company going forward. The extent to which the coronavirus impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted.

Basis of Presentation

In this MD&A all references to: (a) "Q3 2023" are to the three-month period ended December 31, 2022; (b) "Q3 2022" are to the three-month period ended December 31, 2021; (c) "Fiscal 2022" are to the fiscal year ended March 31, 2022; (d) "Fiscal 2021" are to the fiscal year ended March 31, 2021. The unaudited Interim Condensed Consolidated Financial Statements and the accompanying notes for the three and nine month periods ended December 31, 2022 and December 31, 2021, and this MD&A were reviewed and approved by the Board on March 1, 2023 on the recommendation of the Audit Committee.

Going Concern

The consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

At December 31, 2022, the Company had not yet achieved profitable operations and incurred a net loss of $10,730,649 for the nine months ended December 31, 2022 ($7,362,546 during the prior year nine months ended December 31, 2021). At December 31, 2022, the Company had a working capital deficiency of$14,091,630 which includes a current portion of long-term debt of $10,293,512 and there are further commitments of $9,350,808 due in the next 12 months (Note 13).

Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to December 31, 2022 is uncertain. During the nine months ended December 31, 2022, the Company entered into a $1,000,000 private placement of Convertible Notes; a financing arrangement (the "Choco Facility") based on future accounts receivable for US$2,250,000 (CAD $2,885,850); a financing arrangement based on future accounts receivable for CA$12,000,000 with Vesta revolving credit facility; and a Vesta loan facility for US$2,000,000 (CAD$2,598,800). These arrangements are described further in Note 6. During the three months ended December 31, 2022 certain convertible founders loans aggregating to CA$1,174,785 matured and were not repaid, out of which extension agreements of loans aggregating CA$613,803.78 were signed for further two years as described in Note 6 to the interim Financial Statements. The Company is in the process of getting the agreements signed from other holders of the convertible founders' loans to extend the term of these instruments by an additional two years. Management will require additional funds by way of debt or equity issuances to be able to continue to fund its operating, investing, and financing activities in the future.

There can be no assurance as to whether the Company will achieve profitable operations, that debt or equity financing will continue to be available or sufficient to meet the Company's requirements or for other corporate purposes or, if debt or equity financing is available, that it will be available on terms acceptable to the Company or at all. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to achieve profitable operations or to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects. These conditions create a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

These Management's Discussion and Analysis do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the consolidated financial statements. Such adjustments could be material.

CORPORATE OVERVIEW

CEBI was incorporated in the Province of Alberta on October 15, 2018 under the *Business Corporations Act* (Alberta). The Company's headquarters are located in Calgary, Alberta and the address of its head office is 585 Bow Valley Square 3, 255 - 5 Avenue SW Calgary, AB T2P 3G6.

On June 18, 2021, CEBI acquired all the outstanding shares of eBuyNow eCommerce Ltd. ("**EBN**") by way of a three-cornered amalgamation (the "**Qualifying Transaction**"), with the resulting issuer being named CE Brands Inc. Upon completion of the Qualifying Transaction, the shareholders of CEBI held approximately 2% of the issued and outstanding shares of the Company and, as a result, EBN shareholders controlled the Company, resulting in a reverse take-over. The resulting financial statements are presented as a continuance of EBN (accounting acquirer), and comparative figures presented in the consolidated financial statements are those of EBN.

The Company is a *data-driven consumer electronics company*. It works with proprietary tools to identify precise gaps in the consumer electronics industry, and then proceeds to *build*, *market*, and *distribute* promising consumer electronics goods with *a strictly results-oriented approach*. Using sales data analytics, the Company selects growth consumer electronics products for sale through their direct-to-consumer e-commerce platforms via global retail channels in multiple countries.

The Company consists of three operational assets: EBN, a global network of sales & marketing subsidiaries that sell directly in 30+ countries to a growing number of consumers, retailers and distributors. ProductLoop, a proprietary AI data mining software, was created to predict consumer trends. Perimeter Safe, a proprietary IoT platform that helps connect iconic brands with leading IoT products.

The Company strives to bring the most insightful consumer product intelligence to our world class manufacturing, brand and retail partners. This is accomplished through the following.

- ***AI Driven Market Intelligence:*** Harvesting and analyzing consumer feedback at a scale to identify consumer electronics market opportunities.
- ***Global Omni-Channel Sales:*** Selling through every channel including direct to consumer, marketplace, and traditional retail in 30 countries and growing.
- ***Iconic Brand Partnerships:*** Identifying which brands are missing from a product category. We partner with the brand to create products consumers' trust.
- ***Premium Manufacturing Partners:*** Partnering with only the world's most capable factories, to deliver high quality products with mass market appeal.

The Company produces consumer electronics in multiple product categories under multiple licensed brands and considers the brand of the product to simply be an additional feature. For this reason, the Company enters into multiple trademark brand licensing agreements, where it pairs a brand with a product line that is under development. Typical arrangements are based on royalty agreements, where the Company pays a royalty to the trademark holder for the authorization to produce, market, and sell products under the licensed trademark brand.

The Company has developed ProductLoop, a proprietary software platform, which is a market research and market intelligence platform that aggregates publicly available consumer reviews from multiple global third-party e-commerce platforms, with the goal of identifying trends in consumer sentiment and activity.

Using ProductLoop as a driver, the Company continually aims to identify product categories that show signs of growth and identify the product features within each product category that lead to the growth of the product category. The Company uses the ProductLoop aggregated review data to identify changes in consumer patterns over time, to estimate sales trends, and gain insight into market conditions by product category and country.

OUTLOOK

This section contains certain forward-looking statements. Please refer to the disclosure under the heading "Forward-Looking Information" for a discussion of risks and uncertainties related to such statements.

Following the launch of Moto 100 Watch, which was announced in mid-November 2021, and the KODAK Infinio F882 Outdoor Security Camera (announced on January 20, 2022), the Company is on track with its plans to launch one new smart watch product in the quarter ending on March 31, 2023 and two new smart watch products in the quarterly period ending on June 30, 2023. In view of this, the Company expects significant improvements in the gross revenue starting quarter four of the fiscal year ending on March 31, 2023 and continuing to the subsequent periods.

The Company continues to take steps to mitigate the impacts of the ongoing supply constraints on semiconductor chip manufacturing and global supply chain disruptions through supply-chain improvements and strategically prioritizing the Company's product portfolio to conserve cash and improve near-term profitability. The Company continues to believe it is in the early stages of improved sales momentum through increased product deliveries and sales. In order to continue to meet customer demand and fulfill growing order backlog, the Company anticipates pursuing additional financing for working capital and general corporate purposes, principally to ensure the Company has sufficient financing on hand for the purchase of inventory.

Due to the working capital and liquidity constraints that the Company has faced and a slower than anticipated return to full operations in our partner factories, the Company withdraws all previously disclosed financial guidance due to the uncertainty in forecasting operating results, including the previously stated revenue guidance of $30-40 million for calendar year 2022.

The Company anticipates that it will require additional financing to address the Company's working capital and other financing needs and support the Company's product launches and sales. See "Forward-Looking Information", "Going Concern" and "Other Risk Factors".

CONSOLIDATED RESULTS

Selected Financial Information

The following tables summarize certain financial data derived from the financial statements of the Company for the interim period ended December 31, 2022:

	Three months ended Dec 31, 2022	Three months ended Dec 31, 2021	Nine months ended Dec 31, 2022	Nine months ended Dec 31, 2021
Total revenue	1,492,410	1,495,965	6,070,234	4,006,278
Net loss	(6,064,511)	(2,604,135)	(10,730,649)	(7,362,546)
Total comprehensive loss	(6,287,152)	(2,570,909)	(10,614,102)	(7,336,859)
Basic and Diluted Loss per share	(0.24)	(0.11)	(0.42)	(0.34)

	Three months ended Dec 31, 2022	Three months ended Dec 31, 2021	Nine months ended Dec 31, 2022	Nine months ended Dec 31, 2021
Total revenue	1,492,410	1,495,965	6,070,234	4,006,278
Cost of products and services	4,284,653	1,240,255	7,800,328	3,179,166
Gross Profit (Loss)	**(2,792,243)**	**255,710**	**(1,730,094)**	**827,112**
Net loss	**(6,064,511)**	**(2,604,135)**	**(10,730,649)**	**(7,362,546)**

Select financial and operational highlights include the following:

- Total revenue of approximately $1.49 million in the three-months period ending December 31, 2022, which is on similar lines with approximately $1.49 million in the prior year as well.
- Gross loss of approximately $2.79 million in the three-months period ending December 31, 2022, from a gross profit of approximately $0.26 million in the prior year, representing a decrease of approximately 1192%. The decrease in gross profit was primarily due to an increase in Cost of Products and Services which resulted from higher inventory provisions for slow-moving and non-moving goods along with write-off of spare-parts during the three-months and nine-months ending December 2022.
- Net loss of approximately $6 million for the three-months period ending December 31, 2022, up by 133% compared with $2.6 million in the same period during the prior year. The increase in net loss was due to increased Cost of Products and Services leading to lower gross profit and increased spend across wages and contractors pay, royalty, technology related expense,

legal, accounting, general and administrative expenses, professional fees expenses. Further, the Company has also experienced higher finance cost due to an increase in long-term debt. To a certain extent, this was offset in part by the decrease in selling and distribution, depreciation and amortization, stock-based compensation.

Results of Operations

The following section provides an overview of our financial performance during the three- and nine-month periods ended December 31, 2022 as compared to the three and nine month periods ended December 31, 2021.

	For the three-months ended December 31,		For the nine-months ended December 31,	
	2022	2021	**2022**	2021
Revenue	**1,492,410**	1,495,965	**6,070,234**	4,006,278
Cost of products and services	**4,284,653**	1,240,255	**7,800,328**	3,179,166
Gross Profit	**(2,792,243)**	255,710	**(1,730,094)**	827,112
Expenses				
Marketing	**265,928**	270,041	**722,763**	680,022
Selling and distribution	**104,287**	261,718	**470,755**	573,463
Wages and contractors	**952,166**	899,007	**2,959,551**	2,915,559
Royalties and license fees	**978,446**	410,618	**1,858,929**	832,021
Technology and related	**154,400**	133,282	**441,921**	358,836
Legal, accounting and other professional fees	**203,343**	191,726	**719,460**	672,791
General and administrative	**256,255**	198,223	**682,918**	479,438
Depreciation & Amortization	**19,765**	286,061	**127,974**	882,164
Stock-based compensation	**27,738**	53,551	**30,990**	128,289
Loss (Gain) on foreign exchange	**(273,835)**	14,167	**(498,670)**	(130,252)
Operating loss	**(5,480,736)**	(2,462,684)	**(9,246,685)**	(6,565,219)
Finance costs	**(657,654)**	(188,617)	**(1,573,177)**	(1,607,475)
Fair value gain/(loss) on financial instruments	**(163)**	30,013	**(163)**	2,209,402
Listing expense	**-**	-	**-**	(1,416,407)
Loss before income tax	**(6,138,553)**	(2,621,288)	**(10,820,025)**	(7,379,699)
Income tax expense (recovery)	**(74,042)**	(17,153)	**(89,376)**	(17,153)
Net loss	**(6,064,511)**	(2,604,135)	**(10,730,649)**	(7,362,546)
Other comprehensive loss for the year	**-**	-	**-**	-
Gain (loss) on translation of foreign operations that may be subsequently reclassified to profit and loss	**(222,641)**	33,226	**116,547**	25,687
Comprehensive loss	**(6,287,152)**	(2,570,909)	**(10,614,102)**	(7,336,859)
Loss per share	**(0.24)**	(0.11)	**(0.42)**	(0.34)

- ***Revenues:*** Total revenue of approximately $1.49 million in the three-months ended December 31, 2022 as compared to approximately $1.49 million in the three months ended December 31, 2021. Revenue remained consistent period over period due to the decrease in sales of Kodak products and Moto 360 watches being balanced by the increase in sales of Moto 100 watches launched in 2022. Total revenue amounted to approximately $6.07 million in the nine-months ended December 31, 2022 as compared to approximately $4 million in the nine-months ended December 31, 2021, representing an increase of approximately 52%. The total revenue has increased primarily due to the launch of the Moto 100 Watches late in 2022. Further contributing to the increase in total revenue was increased sales in smart home products, driven primarily by increased sales of air purifiers as well as sales of the KODAK Infinio F882 Outdoor Security Camera which was launched in January 2022.

- ***Cost of products and services:*** Cost of products and services increased by $3,044,398 i.e., 245% in the three-months ended December 2022 as compared to the three-months ended December 2021. Cost of products and services increased by $4,621,162 i.e., 145% in the nine-months ended December 2022 as compared to the nine-months ended December 2021. The increase in cost of products and services was due to increased total sales period over period. The increase in cost of products and services as a percentage of sales was due to a change in proportion of total sales coming from lower margin products versus the proportion of total sales coming from comparatively higher gross margin products. Moreover, the company has increased the provision of higher slow-moving and non-moving goods along with increase in write-off of spare-parts for the nine-months ended December 2022.

- ***Wages and contractors:*** Wages and contractors increased by $53,159 i.e., 6% which is considered consistent during the three-months ended December 2022 as compared to the three-months ended December 2021. Wages and contractors' expenses were consistent in the nine-months ended December 2022 as compared to the nine-months ended December 2021 as well.

- ***Royalties and license fees:*** Royalties and license fees increased by $567,828 i.e., 138% in the three-months ended December 2022 as compared to the three-months ended December 2021. Royalties and license fees increased by $1,026,908 i.e., 123% in the nine-months ended December 2022 as compared to the nine-months ended December 2021. The increase in royalties is due to contractual royalty payment increases for Motorola brand licenses and due to fees payable on termination of Kodak licenses provided for in the current quarter.

- ***Professional fees:*** Legal, accounting, and other professional fees increased by $11,617 i.e., 6% in the three-months ended December 2022 as compared to the three-months ended December 2021. Legal, accounting and other professional fees increased by $46,669 i.e., 7% in the nine-months ended December 2022 as compared to the nine-months ended December 2021. There is no significant change in the three months and nine-months ending December 2022 as compared to previous year.
- ***General and administrative:*** General and administrative expenses increased by $58,032 i.e., 29% in the three-months ended December 2022 as compared to the three-months ended December 2021. The Increase is due to assets written off in the three months ended December 2022. General and administrative expenses increased by $203,480 i.e., 42% in the nine-months ended December 2022 as compared to nine-months ended December 2021. The Increase is due to increase in Insurance premiums & dues and membership in the nine months ended December 2022.

- ***Marketing:*** Marketing decreased by $4,113 i.e., 2% in the three-months ended December 2022 as compared to three-months ended December 2021, representing that the marketing expenses are consistent. Marketing increased by $42,741 i.e., 6% in the nine-months ended December 2022 as compared to the nine-months ended December 2021. The increase is due to increased sales in the current period and the associated third party pay-per-click marketing expenditures on online marketplace sales channels.

- ***Selling and distribution:*** Selling and distribution decreased by $157,431 i.e., 60% in the three-months ended December 2022 as compared to three-months ended December 2021. Selling and distribution decreased by $102,708 i.e., 18% in the nine-months ended December 2022 as compared to the nine-months ended December 2021. The decrease is due to the discontinuance of various third-party warehouses service providers during the current quarter as a part of management's efforts to find economic solutions for selling and distribution.

- ***Technology and related:*** Technology and related increased by $21,118 i.e., 16% in the three-months ended December 2022 as compared to the three months ended December 2021. Technology and related increased by $83,085 i.e., 23% in the nine-months ended December 2022 as compared to the nine-months ended December 2021. The increase in technology and related expenses is due to the development and subscription of new customer support software for the new smart watch products.

- ***Stock-based compensation:*** Stock-based compensation decreased by $25,813 i.e., 48% in the three-months ended December 2022 as compared to the three-months ended December 2021. Stock-based compensation decreased by $97,299 i.e., 76% in the nine-months ended December 2022 as compared to the nine-months ended December 2021. The decrease is attributable to forfeited options associated with staff leaving before the vesting dates.

- ***Depreciation and Amortization:*** Depreciation and Amortization decreased by $266,296 i.e., 93% in the three-months ended December 2022 as compared to the three-months ended December 2021. Depreciation decreased by $754,190 i.e., 85% in the nine-months ended December 2022 as compared to the nine-months ended December 2021. The decrease is primarily attributable to the decreasing depreciable base of the Company's Property, Plant and Equipment and intangible assets in the current year as opposed to the prior year. Machinery and equipment had been fully depreciated during the three-months ended December 2021 leading to reduction in total depreciable base for the three-months ended December 2022. Further, leasehold improvements have been fully depreciated during the three-months ended December 2022.

- ***Finance costs:*** Finance costs increased by $469,037 i.e., 249% in the three-months ended December 2022 as compared to the three-months ended December 2021. The increase is due to an increase in the convertible debt, factoring facility and loan during the three-months ended December 2022. The finance costs decreased by $34,298 i.e., 2% in the nine-months ended December 2021 as compared to the nine-months ended December 2021. The expense can be considered as consistent over the nine-months period.

- ***Loss / (Gain) on foreign exchange:*** Gain on foreign exchange increased by $288,002 i.e., 2033% in the three-months ended December 31, 2022 as compared to the three-months ended December 2021. The gain has resulted due to Hong Kong Dollar denominated accounts payable in the company's European subsidiary and the relative strengthening of the Euro relative to the Hong Kong Dollar. Gain on foreign exchange increased by $368,418 i.e., 283%

in the nine-months ended in December 2022 as compared to the nine-months ended December 2021.

- ***Fair value gain/(loss) on financial instruments:*** Fair value gain on financial instruments decreased by $30,176 i.e., 101% in the three-months ended December 2022 as compared to the three-months ended December 2021. Fair value gain on financial instruments decreased by $2,209,565 i.e., 100% in the nine-months period ended December 2022 as compared to the nine-months period ended December 2021. The instruments to which this fair value gain/(loss) relates was settled during the year ended March 31, 2022 and therefore there is no further impact to the three and nine months period ended December 2022.

Inventory

During the three months ended December 31, 2022 the Company recorded a write down of $1,568,232 to record inventory at net realizable value. This was recognized as an expense in Cost of Products and Services during the period.

In addition, an onerous contract provision of US$882,216 (C$1,194,040) has been recorded related to the unavoidable net costs of fulfilling contracts for non-cancellable inventory purchase commitments for which the net realizable value of the related inventory is less than the committed purchase amount.

Summary of Quarterly Results

For the period ending:	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30 2022	September 30, 2022	December 31, 2022
Total revenue	1,309,586	1,115,143	1,395,170	1,495,965	2,892,645	2,394,697	2,183,127	1,492,410
Gross profit	-320,996	117,730	453,672	255,710	658,890	547,520	514,629	-2,792,243
Gross profit percentage	-25%	11%	33%	17%	23%	23%	24%	-187%
Net loss	(3,119,339)	(2,689,563)	(2,072,446)	(2,604,134)	(2,854,708)	(2,537,324)	(2,128,816)	(6,064,511)
Total comprehensive loss	(3,136,502)	(2,755,889)	(2,010,062)	(2,570,909)	(2,820,355)	(2,376,667)	(1,950,286)	(6,287,152)
Basic and diluted loss per share	(0.04)	(0.14)	(0.09)	(0.11)	(0.12)	(0.10)	(0.08)	(0.24)

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity and capital resource are as follows:

	December 31, 2022	March 31, 2022
Cash	495,419	715,796
Total current assets	3,160,214	4,642,273
Total current liabilities	17,251,844	5,659,619
Working Capital Deficiency	**(14,091,630)**	**(1,017,346)**

The Company's capital management policy is to maintain a capital base that optimizes its ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its shareholders. The Company intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Company's early stage of development and the requirement to sustain future development of the business.

The Company will manage its capital structure and make changes to it in light of changes to economic conditions and the risks associated with the nature of the business. In order to maintain or adjust the capital structure, the Company may from time-to-time issue shares, seek debt financing and adjust its spending to manage its current and projected capital structure.

The Company does not expect significant trends or fluctuations in liquidity as a result of seasonality. Fluctuations in liquidity and the Company's working capital requirements are primarily related to the capital needs required to purchase inventory to meet demand for sales. The Company has committed purchase orders from factories of approximately $6 million (refer to "Commitments" below) in the next 12 months. The Company further has a commitment towards minimum guaranteed royalty payments and NetSuite software subscription in the amount of $9,350,808 in the next 12 months.

The Company currently has a working capital deficiency and whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to December 31, 2022 is uncertain. Until the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations, including commitments due in the next 12 months, as they fall due, management will have to attempt to raise funds by way of debt or equity issuances, which may not be possible on acceptable terms, in a timely manner or at all, or attempt to take further measures to improve profitability. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Refer to "Going Concern".

OPERATIONAL AND FINANCING UPDATE

As previously announced by CEBI on October 21, 2021, the COVID-19 pandemic has had far-reaching impacts on the manufacturing and production of consumer electronics in Asia. For CEBI, this has resulted in logistic constraints and associated delays in new product launches. Recently, the Company has also experienced increases in production, labor, and shipping costs. The Company has implemented a number of proactive initiatives to address these issues, as further described below.

The Company is proactively working with its manufacturing partners to improve production and minimize further disruptions. As part of our new profitability improvement program and to mitigate the headwinds that the Company continues to face, CEBI intends to focus on conserving cash and improving near-term profitability through streamlining its current product lines, lowering unit costs and better positioning the Company to meet delivery schedules for its current products.

Convertible Debenture Notes

On November 12, 2021 and May 26, 2022 the Company entered into convertible notes with an aggregate principal amount of $4,000,000 and $1,000,000 respectively subject to delayed draws to address the Company's working capital needs. The convertible notes bear an interest rate of 15.0% per annum on outstanding principal amounts, payable on the first and second anniversary of the issue date, unless earlier redeemed or converted. The convertible notes are senior secured obligations of the Company and mature on the second anniversary of the issue date. The effective date of issuance for 1st, 2nd, 3rd and 4th tranches is November 12, 2021 though the same have been drawn on different dates and the same gets matured in November 2023. The effective date for 5th tranche is

May 25, 2021 and the same gets matured in May 2024 (see "Subsequent Events"). Prior to maturity, the convertible notes are convertible into common shares of the Company, at the option of the holders, at a conversion price per share of $1.50. The convertible notes are not redeemable by the Company prior to the first anniversary of the issue date. The Company issued 2,000,000 and 500,000 warrants as part of the debt financing announced on November 12, 2021 and May 26, 2022 respectively. Each warrant is exercisable at $1.00 per common share for a period of 24 months from issuance. The fair value of the warrants was $355,760 and $21,206 respectively and was determined using a Black-Scholes model. Further, $243,528 and $19,905 of transaction costs were recorded at the funding date respectively. The fair value of the warrants and the transaction costs have been recorded pro-rata on a net basis to the liability and equity components of the convertible note.

The Company drew on the convertible notes in five tranches as detailed in the table below for total proceeds of $5,000,000 drawn and outstanding at December 31, 2022. As at December 31, 2022, the carrying value of this convertible debt was $4,530,157 further bifurcated as $3,659,641 pertains to current portion of long term debt and $870,516 pertains to long term debt which includes liability component and accretion net of deferred fundraising cost.

Tranche	**Date**	**Amount Drawn**	**Liability component**	**Equity component at inception**	**Accretion for quarter ending December 31, 2022**
Tranche 1	November 12, 2021	$1,000,000	$964,454	$35,546	$4,480
Tranche 2	December 14, 2021	$1,000,000	$966,933	$33,067	$4,358
Tranche 3	January 25, 2022	$1,000,000	$964,150	$35,850	$5,028
Tranche 4	February 22, 2022	$1,000,000	$961,561	$38,439	$5,631
Tranche 5	May 26, 2022	$1,000,000	$938,664	$61,336	$7,719
		$5,000,000	**$4,795,762**	**$204,238**	**$27,216**

Choco Facility

On May 24, 2022, the Company entered into an agreement for the sale of US$2,475,000 (CAD$3,174,435) of future receivables for net proceeds of up to US$2,250,000 (CAD$2,885,850) (the "Choco Facility"). This is a financing agreement based on future receivables where the retrieval percentage represents the deferred financing cost. The associated accounts receivables remain recognized on the Company's statement of financial position and still carry credit risk for the Company.

The funds committed under the Choco Facility will be drawn in three tranches with an initial tranche of US$1,250,000 of proceeds available to the Company on close for future receivables of US$1,375,000. The initial tranche is to be repaid over eight months with a retrieval percentage of 15.6%, subject to maximum payments of US$154,688 per month for the first four months and US$252,083 per month for the remaining four months. On June 22, 2022, the initial tranche of US$1,250,000 (CAD$1,711,850) was funded. During the three and nine months ended December 31, 2022, the Company has made US$352,670 (CAD$478,520) and US$657,570 (CAD$878,531) respectively towards the debt obligation.

On August 26, 2022, the second tranche of US$500,000 (CAD$646,670) was funded. The second tranche provides for proceeds of US$500,000 for future receivables of US$550,000. This tranche is to be repaid over eight months with a retrieval percentage of 6.3% and maximum payments of US$61,875 per month for the first four months and US$100,833 per month for the remaining four months. During the three months ended December 31, 2022, the Company has made US$168,525 (CAD$228,663) towards the debt obligation.

On October 31, 2022, the third tranche of US$500,000 (CAD$682,118) was funded. The third tranche provides for proceeds of US$500,000 for future receivables of US$550,000. The third tranche is to be repaid over eight months with a retrieval percentage of 6.3% and maximum payments of US$61,875 per month for the first four months and US$100,833 per month for the remaining four months. During the three months ended December 31, 2022, the Company had made payment of US$71,505 (CAD$97,021) towards the debt obligation.

At December 31, 2022, the balance outstanding of this debt obligation was $1,964,230.74 net of deferred financing fees.

Vesta Loan Facility

On June 20, 2022, the Company entered into a binding term sheet with Vesta Global Stability Fund ("Vesta") for a Loan Agreement (the "Vesta Loan Facility") to fund working capital and for other general corporate purposes, including the purchase of inventory and shipping and duty expenses. This term sheet represents a fully executed agreement and reflects all material terms and conditions with respect to the lending transaction and is binding between both parties. The Vesta Loan Facility is for up to a maximum of US$2,000,000 (CAD$2,598,800) at an effective annual interest rate of 18% payable monthly based on the total drawn amount of the Vesta Loan Facility. There is no standby fee or interest due on undrawn amounts.

Funding under the Vesta Loan Facility can be availed at any time after June 30, 2022 via three tranches as outlined below. The Vesta Loan Facility can be drawn over a 12-month period. The initial tranche of US$500,000 (CAD$ 654,568) was advanced on July 15, 2022, the second tranche of $US500,000 (CAD$ 645,240) was advanced on August 15, 2022, the third and final tranche of US$1,000,000 (CAD$ 1,377,150) was advanced on Oct 4 2022.

The Vesta Loan Facility matures and all principal and accrued interest payable on the date which is 12 months following the date of the funding and is callable at any time by the lender with 30 days written notice at the lender's full discretion. The Vesta Loan Facility is a senior secured obligation of the Company, and Vesta Fund will be provided with security ranking pari passu with the holders of the November 2021 Convertible Notes and the May 2022 Convertible Notes.

Availability of the Vesta Loan Facility is subject to there being no material changes within the business or operations of the borrower during the funding period. The Company must inform the lender within five (5) business days in writing of any material changes in the Company and this may result in the termination of the Vesta Loan Facility and the Company's ability to access any undrawn amounts.

Termination of the Vesta Loan Facility would force full repayment within 30 days of any drawn amounts plus accrued interest.

As at December 31, 2022, all the three tranches of the Loan Facility were fully drawn with an aggregate outstanding balance of US $2,000,000 (CAD $2,675,385 net of deferred financing fees).

Vesta revolving credit facility

On December 13, 2022, the Company entered into a contract for the sale of CAD$12,000,000 of future receivables. The contract has an interest rate of 1% of all outstanding amounts per month. The closing fee is CAD$10,000 and servicing fee is CAD$1,000 per month. The Vesta revolving credit facility has an initial term of 2 years. During the quarter ended December 2022, the company has received advances from the facility of US$761,175.48 (CAD$1,037,212.93)

As at December 31, 2022, the aggregate outstanding balance of the Vesta revolving credit facility was CAD $1,008,287.61 net of closing and servicing fee provision, and deferred financing fees.

Founders' Notes

The Company has an aggregate carrying amount of CAD$908,163 of convertible founders' notes outstanding at December 31, 2022. The founders' notes are held by various common shareholders of the Company. During the three months ended December 31, 2022, notes aggregating to CAD$560,981 matured and were not repaid whereas notes aggregating to CAD$613,804 of the said balance matured and were extended for further 2 years. The founders' notes bear interest at a rate of 4.5%. The Company recognized a gain of $277,121 relating to the extension of these notes in the three months ended December 31, 2022, which had been recorded in equity. The non-convertible balance of founders' notes having carrying amount to CAD$424,987 mature on or before March 31, 2023. The founders' notes are unsecured and are subordinate to the Convertible Debenture Notes and Vesta Loan Facility. The maturity date may be extended for an additional two years at the sole option of the company, in the event that the Convertible Debenture Notes and Vesta Loan Facility are not repaid in full by the maturity date. (see Note 2)

As at December 31, 2022, the aggregate outstanding carrying balance of the founders' notes was CAD $1,333,150.

Kang-Shuo

Effective June 22, 2022, the Company entered into a letter of intent (the "**Kang-Shuo LOI**") with Beijing KangShuo Information Technology Co., Ltd. ("**Kang-Shuo**") regarding a proposed Wearables Development and Sales Agreement (the "**Definitive Kang-Shuo Agreement**") between CEBI and Kang-Shuo with respect to smartwatch and wearables engineering, design and manufacturing. The Kang-Shuo LOI contemplates that, among other things, pursuant to the Definitive Kang-Shuo Agreement, CEBI will nominate Kang-Shuo as its exclusive sourcing and manufacturing agent to cooperate in the development and production of the full existing and future wearables to CEBI under certain wearables licenses for Motorola and LifeQ. Under the proposed Definitive Kang-Shuo Agreement, CEBI would grant Kang-Shuo exclusive selling rights for certain regions for the Motorola and LifeQ product sales.

In addition, CEBI would grant Kang-Shuo and its affiliates the exclusive first right of refusal for all current and future models of wearables products under certain CEBI Motorola and LifeQ brand license agreements.

The Company has started manufacturing with Kang-Shuo and placed the first purchase order in September 2022 with delivery occurring in January 2023.

CASH FLOWS

Cash Flows

	Nine months ended December 31, 2022	Nine months ended December 31, 2021
Cash flow from (used) in:		
Operating activities	(5,832,142)	(10,244,336)
Investing activities	-	40,062
Financing activities	5,593,889	11,948,955
Effect of change in foreign exchange rates on cash	17,876	1,012
Net increase (decrease) in cash	(220,377)	1,745,693
Cash, beginning of period	715,796	397,337
Cash, end of period	495,419	2,143,030

Operating Activities

During the nine-month period ended December 31, 2022, cash used in operating activities was approximately $5.8 million, compared to approximately $10.2 million for the nine-month period ending December 31, 2021. The change in cash flow used in operating activities in comparative quarters was primarily due to the changes in non-cash working capital.

Financing Activities

During the nine-month period ended December 31, 2022, cash from financing activities was approximately $5.6 million, compared to approximately $11.9 million for the nine-month period ended December 31, 2021. The decrease in cash flow from financing activities was primarily due to proceeds received in connection with the public offering in the comparative 2022 period.

COMMITMENTS

As at December 31, 2022, future minimum payments committed under non-cancellable agreements are as follows:

Paticulars	**Less Than 1 Yr**	**1-3 Yrs**	**3-5 Yrs**	**Total**
Minimum royalty payment guarantees with Motorola and advertisement expenditure commitment	3,242,872	4,613,290	-	7,856,162
Netsuite Payments	116,263	145,329	-	261,592
Purchase Orders Placed	5,991,673	-	-	5,991,673
Total	9,350,808	4,758,619	-	14,109,427

During the 3 months ended December 31, 2022 the Company entered into a license termination agreement with Kodak which amends the expiration date of the agreement to June 30, 2023 and serves to terminate the Company's future royalty commitments in exchange for a lump sum payment of US$500,000 (C$678,451) which has been recorded in accounts payable and accrued liabilities. The payments are structured as to US$125,000 (C$169,613) which was made on December 20, 2022; US$125,000 (C$169,613) which was made on January 20, 2023; and US$250,000 (C$339,225) which is due by March 20, 2023.

OUTSTANDING SHARE DATA

The following equity or voting securities, and securities are convertible into, or exercisable or exchangeable for, voting or equity securities, of CEBI are outstanding as follows:

	As at December 31, 2022	As at February 24, 2023
Common shares	25,290,187	25,290,187
Convertible founders loans	$1,174,785 which can be converted into 313,277 Common Shares of the Company	$1,174,785 which can be converted into 313,277 Common Shares of the Company
Senior secured convertible notes	$5,000,000 which can be converted into 3,333,334 Common Shares of the Company	$5,000,000 which can be converted into 3,333,334 Common Shares of the Company
Warrants	7,535,175 warrants to purchase one Common Share each	7,535,175 warrants to purchase one Common Share each
Options	1,328,209 options to purchase one Common Share each	1,828,209 options to purchase one Common Share each

OFF BALANCE SHEET ARRANGEMENTS

As of this reporting period, the Company has not entered into any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

The amounts due to related parties include amounts due to shareholders, directors and a company controlled by directors and are non-interest bearing, unsecured and have no fixed terms of repayment.

	December 31, 2022	March 31, 2022
Due to current/former shareholders and officers	347,743	320,767

At December 31, 2022, accounts payable and accrued liabilities include $133,528 of amounts owed to directors and officers of the Company (March 31, 2022 – $291,672). Further, the convertible founders loan include $533,766 and non-convertible founders loan include $201,580 loans from related parties.

In addition, the Vesta Loan Facility, Vesta revolving credit Facility and the Convertible Debenture Notes constitute related party transactions for the purposes of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“MI 61-101”), as they involve the Company borrowing money from Vesta Fund, and other affiliates of Vesta Fund and Vesta Wealth Partners Ltd., over which Vesta Wealth Partners Ltd., a “related party” of the Company (due to Jared Wolk, a director of the Company, being the Chief Investment Officer of, and having discretionary control over the investment decisions of Vesta Wealth Partners Ltd. and its affiliates) exercises certain discretionary control.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company classifies all financial instruments as financial assets, financial liabilities or equity instruments at fair value through profit and loss or at amortized cost ("Amortized Cost"). The Company has classified cash, accounts receivable and amounts due from related parties as financial assets carried at Amortized Cost. The Company has classified accounts payable and accrued liabilities, due to related parties, senior secured debentures, promissory notes, other long-term debt and convertible debenture notes as financial liabilities carried at Amortized Cost.

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to credit risk, liquidity risk and market risk which are all financial risks that arise as a result of its operating and financing activities. The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. While the Board has the overall responsibility for the establishment and oversight of the Company's risk management framework, management has the responsibility to administer and monitor these risks.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company provides credit to its customers in the normal course of its operations, the maximum exposure to credit risk at December 31, 2022 and March 31, 2022 is as follows:

	December 31, 2022	**March 31, 2022**
Cash	$495,419	$715,796
Accounts receivable	$80,851	$765,107
Total	**$576,270**	**$1,480,903**

There is credit risk with respect to accounts receivable, as the Company has a small number of customers, internationally dispersed. The Company has policies in place to monitor this credit risk and based on the history of collections with these customers, the Company does not consider this risk to be significant. As at December 31, 2022, one customer accounted for 27% of the Company's accounts receivable (March 31, 2022 – two customers accounted for 60% of accounts receivable) and this one customer accounted for 15% of its revenue (March 31, 2022 – two customers accounted for 57% of revenue).

The Company considers accounts greater than 60 days old overdue. Accounts receivable includes $27,282 and $87,273 of accounts that are greater than 60 days old as at December 31, 2022 and March 31, 2022, respectively. The Company has recognized an expected credit loss of $3,779 and $22,105 on the accounts receivable as at December 31, 2022 and March 31, 2022, respectively.

Liquidity Risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements, the Company: (a) will not have sufficient funds to settle a transaction on the due date; (b) will be forced to sell financial assets at a value which is less than the fair value; or (c) may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. The Company continuously monitors its actual and forecast cash flows to review whether there are adequate reserves to meet the maturing profiles of its liabilities. The Company will closely monitor its cash and will take the necessary measures to manage its liquidity risk, such as reducing spending, improving profitability and raising funds as required. As these variables change, liquidity risks may necessitate the Company to issue additional equity or obtain debt financing.

The Company has not achieved profitable operations since inception and has not currently generated sufficient operating cash flows to sustain business operations. The continuation of the Company as a going concern is dependent on completing financings, raising sufficient working capital to maintain operations, reducing operating expenses, and increasing revenues. There can be no assurance that additional financing will be available to the Company, or, if available, that any such financing will be on acceptable terms or completed in a timely manner or at all. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. See "Going Concern".

Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's net income or the value of financial instruments. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

> ***Interest rate risk:*** Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on the long-term debt that bears interest at variable rates of interest. A 1% increase in the interest rate would have a $90,860 increase on the net loss and accumulated deficit of the Company for the nine months ended December 31, 2022 (nine months ended December 31, 2021 – $44,447).
>
> ***Foreign exchange risk:*** The Company's financial performance is closely linked to foreign exchange rates. While the Company may employ the use of various financial instruments in the future to manage these price exposures, the Company is not currently using any such instruments. A 1% increase in the exchange rate would have a $49,818 impact on the comprehensive loss and accumulated deficit of the Company for the nine months ended December 31, 2022 (nine months ended December 31, 2021 - $49,575).

SUBSEQUENT EVENTS

Subsequent to December 31 2022, the company has agreed to the restructuring of its Convertible Debenture Notes as well as the restructuring of Vesta Loan facility.

<u>Convertible Debenture Notes (the “Notes”) restructuring</u>

The Company, Vesta and the holders of the notes have agreed to restructuring agreement to remove the holders’ rights to convert the Notes into Common Shares, to remove the option of the holders to request that interest be payable in Common Shares, and to extend the maturity date of tranche 1, tranche 2, tranche3 and tranche4 of the Notes from November 13, 2023 to April 30, 2024 (the “Revised Notes”). The maturity date for tranche 5 Notes will remain May 25, 2024. All other material terms of the Notes remain unchanged in the Revised Notes.

<u>Vesta Loan Facility restructuring</u>

The company has agreed to restructure the US$2,000,000 Vesta Loan Facility into a senior secured note (the “US$2MM Note”) with terms similar to the Revised Notes, other than the US$2MM Note is payable on demand after 60 days prior written notice with no maturity date, and the interest rate of the US$2MM Note is 18% and payable semi-annually in arrears, rather than 15% and payable annually in arrears for the Revised Notes. The Company believes that Vesta Loan Facility Restructuring improves the Company’s financial position as: (i) it extends the 30 day callable feature under the Vesta Loan Facility to 60 days due to the notice period under the US$2MM Note; and (ii) interest is payable semi-annually in arrears under the US$2MM Note rather than monthly in arrears under the Vesta Loan Facility. In consideration for the for the Vesta Loan Facility Restructuring, Vesta Fund and its affiliates will receive 2,000,000 Common Share purchase warrants (“Warrants”) with each Warrant having an exercise price of $0.10 per share and being exercisable on or before two years after the date of issuance of the Warrants. The Warrants issued in connection with the Vesta Loan Facility Restructuring will be subject to statutory hold periods in accordance with applicable securities legislation.

OTHER RISK FACTORS

Planned operations will expose the Company to a variety of financial risks that arise as a result of its operating and financing activities:

- ***COVID-19*:** On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. The Company’s operations have been negatively impacted by the regional and global outbreak of COVID-19, and the continued length of time of this impact is unknown. Any quarantines, supply chain and labor shortages or other disruptions to the Company’s operations, or those of its customers, could adversely impact the Company’s revenues, ability to provide its products and services and operating results.
  As conditions surrounding the pandemic continue to evolve, the Company may in the future experience unexpected negative impacts from the COVID-19 pandemic. Such impacts could include, with respect to its operations, its suppliers’ operations and its customers’ operations, forced closures, mandated social distancing, isolation and/or quarantines, impacts of declared states of emergency, public health emergency and similar declarations and could include other increased government regulations, a material reduction in demand for the Company’s

products, reduced sales, higher costs for new capital, licensing delays, increased operating expenses, delayed performance of contractual obligations, product shipping delays, and potential supply and staff shortages, all of which would be expected to negatively impact the business, financial condition and results of operations of the Company and its ability to satisfy its obligations. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in the Company's facilities or a supplier's facilities. Should an employee or visitor in any of the Company's facilities or a supplier's facilities become infected with a serious illness that has the potential to spread rapidly, this could place the Company's workforce at risk.

Additional cybersecurity risks also exist due to personnel working remotely. In addition, the COVID-19 pandemic has created a dramatic slowdown in the global economy generally, and thus demand for products with potential applications for the Company's technology may decline. The duration of the COVID-19 outbreak and the resultant travel restrictions, social distancing, government response actions, business closures and business disruptions, can all have an impact on the Company's operations and access to capital. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the COVID-19 pandemic on global financial markets which may reduce share prices and financial liquidity and thereby severely limit the capital available to the Company.

- ***Additional financing needs:*** The Company will require additional funds to continue operations. The Company has limited financial resources, and there is no assurance that additional funding will be available to the Company to carry out the completion of all proposed activities. Although the Company has been successful in the past in obtaining financing through the sale of equity and debt securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable if available at all or, if available, that any such financing will be on acceptable terms. Failure to obtain such additional financing could result in the curtailment of operations, liquidation of assets, seeking additional capital on less favorable terms, the Company having to file for bankruptcy or undertaking a restructuring or insolvency proceeding and/or other remedial measures. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Failure by the Company to raise additional financing and/or access funding under the Choco Facility and/or the Vesta Facility could materially adversely affect the Company's business, operations, results, financial condition and prospects. Refer to "Going Concern".

- ***Indebtedness*:** The Company is at risk of not being able to settle its debt obligations and the Company may not be able to extend, replace or refinance its existing debt obligations on terms reasonably acceptable to the Company, or at all. If liquidity is needed, the Company may not be able to access other external financial resources sufficient to enable it to repay its debt obligations when due. Failure to pay debt obligations when due may cause the Company's lenders to take certain actions and the Company may be required to cease operations, close down, sell or otherwise dispose of all or part of the business of the Company's subsidiaries, any of which would have a material adverse impact on the Company's business and financial condition.

- ***Dilution*:** The Company may issue an unlimited number of Common Shares and in connection with the Company's financing needs, or in the event of a future acquisition, or at other future times, the Company may issue additional Common Shares. As a result of any future issuance of Common Shares, holders of Common Shares may experience substantial dilution.

- ***Economic conditions**:* The Company has global operations and sales and, as such, has exposure to global credit and financial factors on consumers in its areas of operations. General economic conditions may result in reduced consumer and government spending and may have an impact on the Company's financial results.

- ***History of operating losses:*** The Company has an accumulated deficit through December 31, 2022. The deficit may increase in the near term, as the Company continues its product development, establishes sales channels for its new products and business expansion.

- ***History of negative cash flow:*** The Company has a history of negative cash flow, including negative cash flow from operating activities in its most recently completed three-month financial period (i.e. the quarter ended December 31, 2022). The Company cannot guarantee that it will become cash-flow positive or profitable. Negative cash flow or the failure to become profitable in any future fiscal period could result in an adverse material change to the Company.

- ***Trading price of the Company's Common Shares:*** The trading price of the Common Shares has in the past been, and may in the future be, subject to significant fluctuations. These fluctuations may be caused by events related or unrelated to the Company's operating performance and beyond its control. Factors such as actual or anticipated fluctuations in the Company's operating results may have a significant impact on the market price of the Common Shares. These market fluctuations may materially and adversely affect the market price of the Common Shares, which may make it more difficult for shareholders to sell their Common Shares.

- ***Product defects:*** The Company relies on third party manufacturing and from time to time there may be product defects caused by the manufacturing process, assembly or engineering. Product defects can cause significant risk.

- ***Tariffs:*** The Company relies heavily on manufacturing out of China, Vietnam, Taiwan and Malaysia, as such products may be subject to changing tariffs applied by selling countries to the countries of origin with little or no warning. This can affect product margins and competitiveness of sales with local manufacturers.

- ***Seasonality*:** The Company believes its transaction-based revenues will begin to represent an increasing proportion of its overall revenue mix over time, and expects seasonality of its quarterly results to vary. The Company may experience seasonal fluctuations for a variety of reasons, many of which are outside the Company's control. The earnings volatility associated with seasonality may affect the ability of the Company to access capital and could have a material adverse impact on the Company's liquidity.

- ***Supply chain***: The Company relies on major components to be manufactured on an Original Equipment Manufacturer ("OEM") basis. Reliance on OEMs, as well as industry supply conditions generally involves several risks, including the possibility of defective products, a shortage of components and delays in delivery schedules, and increases in component costs. The Company has single-sourced manufacturer relationships, if these sources are unable or unwilling to manufacture its products in a timely and reliable manner, the Company could experience temporary distribution interruptions, delays, or inefficiencies, adversely affecting its results of operations. Even where alternative OEMs are available, qualification of the alternative manufacturers and establishment of reliable suppliers could result in delays affecting operating results adversely. Supply shortages and inventory constraints can occur at times because of production difficulties, unanticipated demand or delivery delays and may have a short-term adverse material effect on CEBI's results of operations and subsequent financial condition. The COVID-19 pandemic has had far-reaching impacts on the manufacturing and production of consumer electronics in Asia. For CEBI, this has resulted in lower volumes of inventory being available for sale and associated delays in new product launches. Recently, the Company has also experienced increases in production, labor and shipping costs. The continuation or worsening of such conditions could adversely impact the Company's revenues, ability to provide its products and services and operating results.

- ***International sales:*** The Company believes there is a significant opportunity to grow its international business in markets such as Asia, South America and Eastern Europe as it continues to see the adoption of internet of things related consumer electronics into the home and workplace. However, demand for international sales may not grow as expected or at all, and there is no assurance that the Company will succeed in expanding into new markets.

- ***New market risk*****:** The ability of the Company to successfully enter new markets is subject to uncertainties, there are no guarantees that it can establish new distribution channels or continue to develop new strategic partnerships.

- ***Profitability and growth:*** There can be no assurance that the Company's business and growth strategy will enable the Company to be profitable in the future. The Company's future operating results will depend on a number of factors, including, marketing, product development, customer service and response to changing markets. There can be no assurance that the Company will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on the Company's business, financial condition, liquidity and operations.

- ***Third party licenses*****:** The Company relies on licenses from third parties. There can be no assurance that these third-party licenses will continue to be available to the Company on commercially reasonable terms. The loss of, or inability to maintain, any of these licenses, may result in delays or reductions in products, which could materially adversely affect the Company's business, results of operations and financial condition.

- ***Sales and marketing expenditures:*** The Company's future growth and profitability will be dependent in part on the effectiveness and efficiency of the Company's sales and marketing expenditures. There can be no assurance that the Company will experience benefits from sales and marketing expenditures in the future. In addition, no assurance can be given that the Company's planned sales and marketing expenditures will result in increased sales, will generate sufficient levels of product and service awareness or that the Company will be able to manage such sales and marketing expenditures on a cost-effective basis.

- ***Product liability:*** The Company may be exposed to product liability claims in the use of its products. Although it takes precautions, there can be no assurance that the Company will avoid significant product liability exposure.

- ***Product development:*** The market for the products of the Company is characterized by rapidly changing technology, evolving industry standards, and customer requirements. The introduction of products embodying new technology and the emergence of new industry standards can render the existing technology solutions of the Company obsolete or unmarketable and can exert price pressures on existing solutions. It is critical to the success of the Company to be able to anticipate and react quickly to changes in technology or in industry standards and continue to be able to successfully develop and introduce new, enhanced, and competitive products on a timely basis. Any new products or solutions could require long technical development and testing periods. This process can be unpredictable, meaning products and solutions may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenues.

- ***Rapid technological developments:*** The precise segment of the market that is targeted by the Company is characterized by rapid technological change, evolving industry standards, frequent new product introductions, and short product life cycles. To keep pace with the technological developments, achieve product acceptance and remain relevant to users, the Company will need to continue developing new and upgraded functionality of its products and services. The Company will need to adapt to new business environments, competing technologies and products developed by its competitors. The process of developing new technology is complex and uncertain. To the extent the Company is not able to adapt to new technologies and/or standards, experiences delays in implementing adaptive measures or fails to accurately predict emerging technological trends and the changing needs of end-users, the Company may lose clients or fail to secure new clients. The Company has developed and is continuing to develop several products and services incorporating advanced technologies and it will pursue those products and services that it expects to have the best chance for success based on the expectations of the Company of future market demand. The development and application of new technologies involve time, substantial costs and risks. There can be no certainty that the Company will be able to develop new products, services and technologies to keep up to date with developments and to launch such products, services or technologies in a timely manner or at all. There can be no certainty that such products will be popular with users or that such products or new technologies will be reliable, robust and not susceptible to failure. Any of these factors could result in an adverse material change to the Company.

- ***Scaling the sales and marketing team:*** The Company's ability to achieve significant growth in future revenue will largely depend upon the effectiveness of its sales and marketing efforts, both domestically and internationally. The Company has invested and intends to continue to invest in expanding its sales force but there is no assurance that the intended expansion will occur or will be successful.

- ***Key employees:*** The success of the Company is largely dependent on the performance of its key employees and directors. The failure to retain key employees and directors and to attract and retain additional key employees with the necessary skills could have a material adverse impact upon the Company's growth and profitability. There can be no assurance that the Company will be successful in attracting and retaining such personnel.

- ***Intellectual Property (IP) rights****:* The Company's commercial success is reliant on the ability to develop new or improved technologies, manufacture products, and to successfully obtain patents or other proprietary or statutory protection for these technologies and products in Canada and other jurisdictions. The Company seeks to patent concepts, components, protocols and other inventions that the Company considers having commercial value or that will likely give the Company a technological advantage. The Company owns licenses to an array of patented and patent pending technologies relating to air purifiers in Canada and overseas. The Company continues to devote significant resources to protecting the proprietary technology. However, the Company may not be able to develop technology that is patentable, patents may not be issued in connection with our pending applications, and claims allowed may not be sufficient to provide the Company with exclusive protection for its technology. Furthermore, any patents or licenses to patents issued to the Company could be challenged, invalidated, or circumvented and may not provide proprietary protection or a competitive advantage to the Company. Prosecution and protection of the intellectual property rights sought can be costly and uncertain, often involve complex legal and factual issues and consume significant time and resources. The laws of certain countries may not protect intellectual property rights to the same extent as the laws of Canada or the United States.

- ***Cybersecurity:*** Increasingly, companies are subject to a wide variety of attacks on their networks and systems on an ongoing basis. In addition to traditional computer "hackers", malicious code (such as viruses and worms), employee theft or misuse, and denial-of-service attacks, sophisticated nation-state and nation-state supported actors now engage in cybersecurity attacks (including advanced persistent threat intrusions). Despite significant efforts to create security barriers to such threats, it is virtually impossible for the Company to entirely mitigate these risks. The security measures the Company has integrated into its internal network and platform, which are designed to detect unauthorized activity and prevent or minimize security breaches, may not function as expected or may not be sufficient to protect its internal networks and platform against certain attacks. In addition, techniques used to sabotage or to obtain unauthorized access to networks in which data is stored or through which data is transmitted change frequently and generally are not recognized until launched against a target. As a result, the Company may be unable to anticipate these techniques or implement adequate preventative measures to prevent an electronic intrusion into its networks. If a breach of customer data security were to occur, as a result of third-party action, employee error, malfeasance or others, and the confidentiality, integrity or availability of the customers' data was disrupted, the Company could incur significant liability to its customers and to individuals or business whose information was being stored by its customers, and its products may be perceived as less desirable, which could negatively affect the Company's business and damage its reputation. Security breaches impacting the Company's products could result in a risk of loss or unauthorized disclosure of customers' information, which, in turn, could lead to litigation, governmental audits and investigations, and possible liability. In addition, a network or security breach could damage the Company's relationships with its existing customers, resulting in the loss of customers, and have a negative impact on its ability to attract and retain new customers. These breaches, or any perceived breach, of the Company's network, its customers' networks, or other networks, whether or not any such breach is due to a vulnerability in the Company's products, may also undermine confidence in its products and result in damage to its reputation, negative publicity, loss of customers and sales, increased costs to remedy any problem, and costly litigation. Third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information, or otherwise compromise the security of the Company's internal networks, electronic systems and/or physical facilities in order to gain access to its data or its customers' data, which could result in significant legal and financial exposure, loss of confidence in the security of its products, interruptions or malfunctions in its operations, and, ultimately, harm to its future business prospects and revenue. The Company may be required to expend significant capital and financial resources to protect against such threats or to alleviate problems caused by breaches in security.

- ***Competition:*** The Company is engaged in an industry that is highly competitive and rapidly evolving. In order to retain and attract new customers and brand partnerships, the Company will need to continue to execute its orders at competitive prices. The competitors of the Company will range from small venture backed enterprises with limited resources to multi-national technology companies with larger customer bases. The multi-national technology companies will have more established name recognition and substantially greater financial, marketing, technological and personnel resources than the Company will have. These larger and better capitalized competitors may have access to capital in greater amounts and at lower costs than the Company will have access to, and thus, may be better able to respond to changes in the technology, consumer and household goods markets. The Company's competitors may be able to acquire skilled professionals, fund internal growth, and offer products and services at lower prices than the Company. As a result, the Company's competitors may deliver new products and solutions earlier, or provide more attractively priced, enhanced or better-quality products than the Company. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. If the Company cannot compete against existing and future competitors, its business, results of operations and financial condition could be materially and adversely affected. The Company cannot assure that it will be able to compete effectively against existing and future competitors. In addition, competition or other competitive pressures may result in price reductions, reduced margins or loss of market share, any of which could have a material adverse effect on the Company's business, financial condition or results of operations.

- ***Inability to respond to customer demands***: The new products provided by the competitors of the Company may render the existing products of the Company less competitive. The success of the Company will depend, in part, on the ability of the Company to respond to demands of customers for new products on a timely and cost-effective basis and to address the increasingly sophisticated requirements and varied needs of its customers and prospective customers. Further, the Company may not be successful in marketing and introducing new products to its customers and brand partners. New product enhancements may not achieve market acceptance. Any failure on the part of the Company to anticipate or respond adequately to customer requirements or changing industry practices, or any significant delays in the development, introduction or availability of new products or product enhancements could result in an adverse material change to the Company.

- ***Reliance on contract manufacturers:*** The Company uses contract manufacturers to manufacture its products and products under development and its reliance on contract manufacturers subjects the Company to significant operational risks, many of which would impair its ability to deliver products to its customers should they occur. Each of the Company's contract manufacturers supplies a higher volume of products to the Company's larger competitors. The Company cannot provide assurances that its contract manufacturers will continue to work with the Company, that they will continue to be able to operate profitably, that they will be able to meet the Company's manufacturing needs in a satisfactory and timely manner or that it can obtain additional or alternative manufacturers when and if needed. The availability of Company's contract manufacturers and the amount and timing of resources to be devoted by them to Company's activities is not within its control, and Company cannot provide assurances that it will not encounter manufacturing problems that would materially harm its business. Furthermore, the Company's arrangements with contract manufacturers are subject to re-negotiation.

- ***Absence of operating history as a public company***: The management of the Company has limited experience operating public companies. To operate effectively, the Company will be required to continue to implement changes in certain aspects of its business. The Company will need to improve its information systems and develop, manage and train management level as well as other employees to comply with ongoing public company requirements.

- ***Litigation risk:*** The Company may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business. Many aspects of the Company's business will require the Company to accept certain risks, including risks that expose the Company to liability under the Law. These risks can include, among others, disputes over trade terms with customers and other market participants, customer losses resulting from product failure and poor customer service. Even if the Company prevails in any proceedings, the Company could still incur significant legal expenses defending against the claims, even those without merit. Meritless claims can cause damage to the Company's reputation or raise concerns among its customers and existing partnerships.

As a result, the Company may feel compelled to settle claims, including those without merit, at a significant cost. The initiation of any proceeding against the Company could result in an adverse material change to the Company.

- ***Transaction risk:*** Any future acquisitions may result in significant transaction expenses and may present additional risks associated with entering new markets, offering new products and integrating the acquired companies. Historically, acquisitions have not been a core part of the growth strategy of the Company; therefore, management does not have significant experience in successfully completing acquisitions. The Company may not have sufficient management, financial and other resources to integrate companies that the Company acquires or to successfully operate new businesses. Therefore, the Company may be unable to profitably operate an expanded company. Additionally, any new businesses that the Company may acquire, once integrated with the existing operations of the Company, may not produce expected or intended results.

- ***Management of rapid growth****:* The business plan of the Company anticipates rapid growth and the Company will need to continue to attract, hire and retain highly skilled and motivated officers and employees. It is possible that the Company may not be able to attract or retain the officers and employees necessary to manage its growth effectively. Further, the growth of the Company depends in part on the success of the strategic relationships of the Company with third parties, including relationships with suppliers, developers, designers, referral sources, resellers, payment processors, programmers and other partners. The Company intends to pursue additional relationships with other third parties such as shipping partners and technology providers. If there are any disagreements that cause the Company to lose access to products or services from a particular supplier or lead the Company to experience a significant disruption in the supply of products or services from a current supplier, especially a single-source supplier, it could have an adverse effect on business and operating results.

- ***Security breaches:*** The computer infrastructure of the Company may potentially be vulnerable to physical or electronic computer break-ins, viruses and similar disruptive problems and security breaches. Any such problems or security breaches could give rise to liabilities to one or more third parties, including the customers of the Company, and disrupt its operations. A party may be able to circumvent the security measures of the Company and could misappropriate proprietary information or customer information. A security breach or hack can jeopardize the confidential nature of information the Company transmits over the internet and it can cause interruptions in the operations of the Company. To the extent that the activities of the Company involve the storage and transmission of proprietary information and personal financial information, security breaches or other hackings could expose the Company to a risk of financial loss, litigation and other liabilities. The current insurance policies of the Company may not protect the Company against such losses and liabilities. Any of these events, particularly if they result in a loss of confidence in the products of the Company, could result in an adverse material change to the Company. The Company stores personal and other information of their partners, customers and employees. If the security of this information is compromised or is otherwise accessed without authorization, the reputation of the Company may be harmed and exposed to liability and loss of business.

- ***Introduction of products in a timely manner:*** The Company cannot provide assurance that it will be able to enhance their current products or develop new products at competitive prices or in a timely manner. The development and application of new technologies involve time, substantial costs and risks. The inability of the Company, for technological or other reasons, to enhance, develop and introduce products in a timely manner, or at all, in response to changing market conditions or customer requirements could result in an adverse material change to the Company. As well, it could also result in products becoming obsolete. Further, the ability of the Company to compete successfully will depend in large measure on the ability to continue to conduct research and maintain a staff to adapt to technological changes and advances in the industry. This will also include providing for the continued compatibility of the products of the Company with evolving industry standards, protocols, and competitive network environments.

- ***Tax implications**:* The Company is subject to income taxes in both Canada and numerous foreign jurisdictions. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although the Company believes their tax estimates are reasonable, the final determination of any tax audits and litigation may be materially different from that which is reflected in the historical income tax provisions and accruals. Further, if additional taxes are assessed as a result of an audit or proceeding, such taxes could result in an adverse material change to the Company. This will also have an impact on the overall financial condition of the Company.

- ***Foreign operations:*** The Company relies on international sales of its products in Asia and the expects to do so to a greater extent in the future as it continues to expand its business. There are a number of risks inherent in the international activities of the Company, including unexpected changes in governmental policies or project locations concerning the import and export of goods, services and technology. Further, there could be other regulatory requirements, tariffs and other trade barriers, costs and risks of localizing products for foreign languages, longer accounts receivable payment cycles, limits on repatriation of earnings, the burdens of complying with a wide variety of foreign laws, and difficulties supervising and managing local personnel. As such, the operations of the Company may be adversely affected by changes in foreign government policies and legislation or social instability and other factors which are not within the control of the Company, including, but not limited to, changes in regulatory requirements, economic sanctions, spread of infectious diseases, pandemics, risk of terrorist activities, revolution, border disputes, implementation of tariffs and other trade barriers and protectionist practices, volatility of financial markets, labour disputes, and other risks arising out of foreign governmental sovereignty over the areas in which the operations of the Company are conducted. The law of foreign jurisdictions will affect foreign trade, taxation and investments which may result in an adverse material change to the Company. If the operations of the Company are disrupted or the economic integrity of its contracts are threatened for unexpected reasons, business may be harmed. In the event of a dispute arising in connection with the operations of the Company in a foreign jurisdiction where the Company does conduct or will conduct its business, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. The Company may also be hindered or prevented from enforcing its rights with respect to a government instrument because of the doctrine of sovereign immunity. Accordingly, the activities of the Company in foreign jurisdictions could be substantially affected by factors beyond their control, any of which could result in an adverse material change to the Company. The Company believes that its management and the proposed management of the Company are sufficiently experienced to reduce these risks.

- ***Operational and financial infrastructure:*** The Company is subject to growth-related risks, capacity constraints and pressure on its internal systems and controls. As well, control and monitoring of marketing activities of the sales agents of the Company in other jurisdictions. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems, and to successfully implement the continued expansion, training and management of its employee base. The Company intends to expand its employee base. This expansion may require the Company to commit financial, operational, and technical resources in advance of an increase in the size of the business, with no assurance that the volume of business will increase or that such initiatives to improve and upgrade its systems and infrastructure will be successful. The inability to deal with this growth or any failure in these initiatives could result in an adverse material change to the Company.

- ***Forecasts and Models:*** The Company relies upon forecasts and models because the approach to customer forecasts requires data-intensive modelling used in conjunction with certain assumptions when independently verifiable information is not available. Should underlying assumptions prove incorrect or an embedded modelling error go undetected, it could result in incorrect estimates and thereby have a material adverse impact on the Company's financial condition, operating results, cash flow and liquidity

- ***Estimates and Judgements:*** The Company makes accounting estimates and judgments in the ordinary course of business. Such accounting estimates and judgments will affect the reported amounts of the Company's assets and liabilities as of the date of its financial statements and the reported amounts of its operating results during the periods presented. Additionally, the Company interprets the accounting rules in existence as at the date of its financial statements when the accounting rules are not specific to a particular event or transaction. If the underlying estimates are ultimately proven to be incorrect, or if the Company's auditors or regulators subsequently interpret the Company's application of accounting rules differently, subsequent adjustments could have a material adverse effect on the Company's operating results for the period or periods in which the change is identified. Additionally, subsequent adjustments could require the Company to restate its historical financial statements. The occurrence of any of the foregoing could result in a material adverse impact on the Company's financial condition, operating results, cash flow and liquidity.

- ***Insurance risks:*** The Company expects to maintain property and casualty insurance on certain assets. However, not all risks are covered by insurance and there is no assurance that insurance will be consistently available on an economically feasible basis or at all. The Company may also elect not to insure against certain liabilities due to high premium costs or for other reasons. Furthermore, although the Company expects to maintain insurance against such claims and in such amounts it considers adequate, there is no assurance that such insurance policies will be sufficient to cover each and every claim or loss involving the Company. If the Company were to suffer an uninsured loss, its business, financial condition, and results of operations could result in an adverse material change to the Company.

DISCLOSURE CONTROLS AND PROCEDURES

The Company’s DC&P, as defined in National Instrument 52-109 Certification of Disclosure in Issuer’s Annual and Interim Filings (“NI 52-109”) are designed to provide reasonable assurance that information required to be disclosed in the Company's filings under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They are also designed to provide reasonable assurance that all information required to be disclosed in these filings is accounted for, accumulated and communicated to the Company’s senior management team including the Chief Executive Officer ("CEO") and Chief Financial Officer (“CFO”) as appropriate. This is meant to allow for timely decisions regarding public disclosure.

The Company cannot provide absolute assurance that all information required to be disclosed in its filings is reported within the time periods specified in securities legislation because of the limitations in control systems to prevent or detect all misstatements due to error or fraud. Due to the material weaknesses described below over the design of internal control over financial reporting our disclosure controls and procedures would not be effectively designed

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting (“ICFR”), as defined under NI 52-109, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis.

Management's Evaluation of Internal Controls over Financial Reporting

The Company is aware of material weakness in the design of ICFR at December 31, 2022 as described below. Management have concluded that the Company’s ICFR were not designed effectively as of December 31, 2022. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis. Management identified the following material weakness:

- An ineffective control environment resulting from an insufficient number of trained financial reporting and accounting, information technology (IT) and operational personnel with the appropriate skills and knowledge and with assigned responsibility and accountability related to the design, implementation and operating effectiveness of internal control over financial reporting.

• The insufficient number of personnel described above contributed to an ineffective risk assessment process necessary to identify all relevant risks of material misstatement and to evaluate the implications of relevant risks on its internal control over financial reporting.

• An ineffective information and communication process resulting from (i) insufficient communication of internal control information, including objectives and responsibilities, such as delegation of authority; and (ii) ineffective general IT controls and ineffective controls related to spreadsheets, resulting in insufficient controls to ensure the relevance, timeliness and quality of information used in control activities.

• As a consequence of the above and as a result of inadequate segregation of duties and secondary review, the Company had ineffective control activities related to the design, implementation and operating effectiveness of process level and financial reporting controls which had a pervasive impact on the Company's internal control over financial reporting.

• An ineffective monitoring process resulting from the evaluation and communication of internal control deficiencies, including monitoring corrective actions, not being performed in a timely manner

Remediation

Beginning in January 2023, the Company is developing and implementing plans to remediate the material weakness described above. The current remediation activities include:

· Appointing a new CFO

· Hiring an adequate number of qualified personnel to support the Company's initiatives related to DC&P and ICFR

· Enhancing management's review and oversight of the work performed by the Company's outsourced accounting service provider

· Establishing and revising accounting processes that align with acceptable internal control practices

· Utilizing the control functionalities existing in the Company's Enterprise Resourcing Planning system to mitigate the risks presented by manual control processes

· Finalizing a delegation of authority matrix to enforce desired limits of authority for key transactions, events, and commitments, and communicating these limits of authority to relevant personnel throughout the Company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the consolidated interim financial statements and application of IFRS require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited interim consolidated financial statements, are disclosed in the Company's consolidated financial statements for the year ended March 31, 2022 and in the unaudited condensed consolidated interim financial statements as at December 31, 2022 and December 31, 2021 for detailed critical accounting estimates.

ADDITIONAL INFORMATION

Additional information relating to the Company and its operations is available on SEDAR at www.sedar.com and on the Company's website at www.cebrands.ca.