



CE Brands Inc.

Management's Discussion and Analysis
FOR THE YEAR ENDED MARCH 31, 2023

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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**"), 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 years ended March 31, 2023 and March 31, 2022. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements for Fiscal 2023 and March 31, 2022, together with the notes thereto (the "**Financial Statements**"), and the annual information form of the Corporation for Fiscal 2023 (the "**AIF**"). The Fiscal 2023 Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), respectively. The Financial statements are available on SEDAR at www.sedar.com.

This MD&A is dated July 24, 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 impact of the eBuyNow eCommerce Ltd. ("**EBN**") bankruptcy on the Company's business, operations, financial condition, financial performance, and cash flows;
- the impact of the termination of contracts with Eastman Kodak Company ("**Kodak**") on the Company's business, operations, financial condition, financial performance and cash flows;
- the Company's plans for the Motorola product segment, the status of the Motorola product segment relative to those plans, and the anticipated timing and costs to advance the Motorola product segment;
- the Company's plans for the Vitalist product segment, the status of the Vitalist product segment relative to those plans, and the anticipated timing and costs to advance the Vitalist product segment;
- 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 Fiscal 2023, 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; 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 "**Common Shares**"); the value of existing equity following the completion of any financing transaction; trading price risks whereby the 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, including the AIF, 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.

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. Subsequent to the first quarter of the fiscal 2023 year, there was no significant impact of COVID-19 on the Company's operations.

Basis of Presentation

In this MD&A all references to: (a) "Q4 2023" are to the three-month period ended March 31, 2023; (b) "Q4 2022" are to the three-month period ended March 31, 2022; (c) "Fiscal 2023" are to the fiscal year ended March 31, 2023; (d) "Fiscal 2022" are to the fiscal year ended March 31, 2022; and (e) "Fiscal 2024" are to the fiscal year ended March 31, 2024. The Fiscal 2023 Financial Statements and this MD&A were reviewed and approved by the Company's Board of Directors on July 24, 2023 on the recommendation of the Company's Audit Committee.

Going Concern

There is considerable uncertainty with respect to the Company's ability to continue operations. The Company has not yet achieved profitable operations and had a deficit of \$66,626,562 as at March 31, 2023 (as at March 31, 2022 - \$38,553,201) and incurred a net loss of \$28,073,361 for Fiscal 2023 (Fiscal 2022 - \$10,217,783) and used cash flow in operating activities for Fiscal 2023 of \$7,282,774 (Fiscal 2022 - \$13,035,179). At March 31, 2023, the Company had a working capital deficiency of \$17,468,797 (as at March 31, 2022 - deficiency of \$1,017,346) which includes a current portion of long-term debt of \$7,792,914. In addition, the Company has commitments of \$5,813,816 due in the next 12 months (Note 22 of the Financial Statements).

The Company's ability to continue operations as at March 31, 2023, was initially focused on achieving profitable operations while securing additional funding through debt and equity financing.

Subsequent to Fiscal 2023, the Company's efforts have continued to evolve such that the one of the Company's wholly owned Canadian subsidiaries, eBuyNow eCommerce Limited ("EBN") filed a voluntary assignment into bankruptcy under the Bankruptcy and Insolvency Act (the "Act"). CE Brands' directors determined that, due to the impact of the COVID-19 pandemic and the resulting supply chain crisis on eBuyNow, the bankruptcy was in the best interests of eBuyNow and its stakeholders. The bankruptcy prevents creditors from continuing to pursue eBuyNow for unpaid liabilities, but provides creditors with an equitable distribution of eBuyNow's assets. Under Canadian law, eBuyNow's creditors cannot pursue CE Brands for payment of eBuyNow's unpaid liabilities. All other subsidiaries of the Company are wholly owned subsidiaries of EBN. As such, there is considerable uncertainty as to the duration and impact of the bankruptcy process and whether the Company will be able to continue to operate in the foreseeable future.

As further described in Note 23 of the Financial Statements, on June 27, 2023, a licensed insolvency trustee (the "Trustee") was appointed under section 49 of the Act to administer the bankruptcy of EBN. Each of the corporate organization's subsidiaries as described in note 2e of the Financial Statements are wholly owned subsidiaries of EBN. The Trustee's appointment was affirmed on July 17, 2023. The impacts of the bankruptcy filing on the Company may include, amongst others:

- Loss of material contracts: All of the Company's revenues are generated through EBN and its wholly owned subsidiaries and there is a risk that existing contracts between EBN and its subsidiaries

and certain licensors, distributors and manufacturers may be terminated as part of the bankruptcy filing. While some of these contracts may be assigned to CE Brands, the parent entity, by the Trustee there are no guarantees that such an assignment will occur and that any assigned contracts will be renewed at expiration.

- Demand repayment of all debts: The EBN bankruptcy process constitutes an event of default under the terms of the Company's debt agreements. The Company has not received waivers from its lenders relating to these events of default.
- A loss of the Company's intellectual property rights and a loss of control or relinquishment of substantially all of the Company's assets as part of the EBN bankruptcy process ultimately resulting in the Company being unable to continue operations.
- The potential for litigation to arise from creditors in connection with the bankruptcy process resulting in contingent liabilities and additional legal costs.
- The potential that certain liabilities of EBN and its wholly owned subsidiaries are not extinguished in connection with the bankruptcy process.

There is considerable uncertainty as to whether the Company will be successful with the EBN bankruptcy process and as to the Company's ability to achieve profitable operations or to generate the additional funds necessary by way of debt or equity financing that is required to be able to continue to fund its operating, investing and financing activities in the foreseeable future. Upon completion of the EBN bankruptcy process, the Company will require additional funds by way of debt or equity financings to continue to fund its operating, investing and financing activities in the foreseeable future. There can be no assurance as to whether the Company will be able to achieve profitable operations, that debt or equity financing will be available or sufficient to meet the Company's requirements or, if debt or equity financing is available, that it will be available on terms acceptable to the Company or at all. The inability of the Company to achieve profitable operations or to access debt or equity financing 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.

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.

These consolidated financial statements 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 head office is 585 Bow Valley Square 3, 255 – 5 Avenue SW Calgary, AB T2P 3G6 and the registered address is 301-1321 Blanshard St, Victoria, BC, V8W 0B6. 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 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.

GENERAL

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. 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.

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 Motorola and Vitalist product launches and sales described below. See “Forward-Looking Information”, “Going Concern” and “Other Risk Factors”.

Motorola Products

With a focus on continuous product development and expansion, the Corporation is actively engaged with its research and development partners to bring four new Motorola branded smartwatches to the market. These devices are at various stages of development. The Corporation is committed to making the Motorola branded smartwatches accessible to a wide range of consumers. The four new models will be competitively priced, ranging from US\$49 to US\$199. The Corporation anticipates delivering these new smartwatches to distributors during Fiscal 2024.

Vitalist Products

On June 6, 2023, the Corporation announced the launch of Vitalist, an inhouse smartwatch health brand. With a focus on affordability and market availability, Vitalist will specialize in cost-effective smartwatches that integrate with a dedicated application experience. By combining user-friendly design, at-home biomarker testing, and wellness improvement planning, Vitalist aims to empower users to gain deeper insight into, and track how their daily activities and interventions impact, their long-term health.

In addition to providing comprehensive smartwatch features, Vitalist will offer bundled biomarker

testing services. This means that users will be able to conveniently test their biomarkers, gaining valuable insights into their health. By leveraging the power of smartwatch data and biomarker analysis, the Corporation anticipates that Vitalist will create an ecosystem that enables users to make informed decisions about their well-being.

Beyond biomarker testing, Vitalist will take a holistic approach to health. The brand will offer personalized health supplement interventions that are tailored to the specific needs of users based on their biomarker and biometric data. By analyzing the collected information, Vitalist will be able to generate custom training and dietary supplement plans, enabling users to manage their biomarkers and achieve their health goals.

With Vitalist, the Corporation plans to foster an ecosystem that promotes proactive health management through the integration of smartwatches, biomarker testing services, and health supplement interventions that allow users to track their progress, identify areas for improvement, and make informed decisions to enhance their overall health and well-being.

Based on internal market research, the Corporation intends to bring multiple smartwatch and smart ring products to market in the upcoming fiscal year under the Vitalist brand, to reach market segments where Motorola branded products may not be appropriate (for example, to reach iPhone users with a keen interest in hormone levels) and also to be able to launch a portfolio of off-the-shelf hardware products already being manufactured under non-exclusive brand names in other countries, of which the research and development requires limited resources in order to introduce to the market, and of which the products are not aligned with Motorola brand licensing requirements.

CONSOLIDATED RESULTS

Selected Financial Information

The following tables summarize certain financial data derived from the Fiscal 2023 Financial Statements:

Particulars	Three months ended		Year ended		
	Mar 31, 2023	Mar 31, 2022	Mar 31, 2023	Mar 31, 2022	Mar 31, 2021
Total revenue	1,335,226	3,290,802	7,565,377	7,297,081	9,270,470
Cost of products and services	3,782,984	2,631,912	11,743,229	5,811,078	8,022,667
Gross Profit (Loss)	(2,447,758)	658,890	(4,177,852)	1,486,003	1,247,803
Net loss	(17,342,713)	(2,855,237)	(28,073,361)	(10,217,783)	(14,048,843)
Total comprehensive loss	(17,565,354)	(2,862,480)	(27,976,457)	(10,199,339)	(14,922,534)
Basic and Diluted Loss per share	(0.69)	(0.11)	(1.11)	(0.45)	(0.85)

Particulars	As at		
	Mar 31, 2023	Mar 31, 2022	Mar 31, 2021
Total Assets	1,995,279	13,901,561	13,139,765
Total Non-Current Financial Liabilities	5,097,002	3,390,528	1,388,750

Selected financial and operational highlights include the following:

- Total revenue of approximately \$1.30 million in the three-months period ending March 31, 2023 lower by 59% compared with approximately \$3.29 million in the prior year. The reason can be attributed to lower B2C sales of moto watches on e-commerce platforms. The total revenue for Fiscal 2023 has been consistent with that of prior year being a negligible increase of 4%.
- Gross loss of approximately \$2.4 million in the three-months period ending March 31, 2023, from a gross profit of approximately \$0.66 million in the prior year, representing a decrease of approximately 472%. Gross loss of approximately \$4.2 million in Fiscal 2023, from a gross profit of approximately \$1.5 million in the prior year, representing a decrease of approximately 381%. This decrease can be attributed to \$0.5 million of write-offs of Kodak branded inventory and a \$2.3 million onerous contract liability related to non-cancellable inventory purchase commitments due to the Company's termination of its contract with Eastman Kodak Company ("Kodak"). Additionally, the decision to withdraw from the Moto 150 and Moto 200 launch led to the write-off of all materials associated with it in Fiscal 2023.
- Net loss of approximately \$17.3 million in the three-months period ended March 31, 2023, up by 488% compared with \$2.9 million in Fiscal 2022. Net loss of approximately \$28 million in Fiscal 2023, up by 175% compared with \$10.2 million in Fiscal 2022. The increase in net loss was due to impairment of assets of \$9.87 million along with additional 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.

Results of Operations

The following section provides an overview of our financial performance during the Fiscal 2023 as compared to the Fiscal 2022.

	For the year ended March 31,	
	2023	2022
Revenue	7,565,377	7,297,081
Cost of products and services	11,743,229	5,811,078
Gross Profit	(4,177,852)	1,486,003
Expenses		
Marketing	1,008,332	1,117,633
Selling and distribution	566,412	853,164
Wages and contractors	4,211,108	3,976,621
Royalties and license fees	3,913,994	1,262,241
Technology and related	552,859	488,549
Legal, accounting and other professional fees	944,111	924,466
General and administrative	752,649	639,790
Depreciation & Amortization	150,934	980,016
Impairment of assets	9,865,496	-
Stock-based compensation	67,161	204,141
Loss (Gain) on foreign exchange	(491,980)	128,412
Operating loss	(25,718,928)	(9,089,030)
Finance costs	(2,436,595)	(1,731,961)
Fair value gain/(loss) on financial instruments	(34,489)	1,983,838
Listing expense	-	(1,416,407)
Loss before income tax	(28,190,012)	(10,253,560)
Income tax recovery	(116,651)	(35,777)
Net loss	(28,073,361)	(10,217,783)
Other comprehensive loss for the year	-	-
Gain (loss) on translation of foreign operations that may be subsequently reclassified to profit and loss	96,904	18,444
Comprehensive loss	(27,976,457)	(10,199,339)
Loss per share	(1.11)	(0.45)

- **Revenues:** Revenue increased by \$268,296, representing a growth of 4%, for Fiscal 2023, compared to the previous year. This increase can be attributed to the higher sales of Moto 100 watches and the successful launch of Moto 70 watches in Q4 2023. However, the decline in sales of Moto 360 watches partially offset the revenue growth, resulting in a net increase of 4% in revenue.
- **Cost of products and services:** The cost of products and services increased by \$5,932,151, reflecting an increase of 102% for Fiscal 2023, in comparison to the previous year. This increase can be attributed to \$0.5 million of write-offs of Kodak branded inventory and a \$2.3

million onerous contract liability related to non-cancellable inventory purchase commitments due to the Company's termination of its contract with Kodak as the product life of Kodak products had come to an end. Additionally, the decision to withdraw from the Moto 150 and Moto 200 launch as the products were not economically viable to continue as well as not a market fit which led to the write-off of all materials associated with it in Fiscal 2023.

- **Wages and contractors:** Wages and contractor expenses increased by \$234,487, indicating a marginal increase of 6% for Fiscal 2023, compared to the previous year. Wages and contractor expenses remained consistent with Fiscal 2022.
- **Royalties and license fees:** Royalties and license fees increased by \$2,651,753, representing an increase of 210% for Fiscal 2023, compared to the previous year. This increase can be attributed to higher contractual royalty payments for Motorola and Kodak brand licenses to the tune of \$347,698 and fees associated with the termination of Kodak licenses during the current year amounting to \$340,015 and royalty accrual of \$1,964,040 on termination of Company's termination of its contract with Eastman Kodak Company ("Kodak").
- **Professional fees:** Legal, accounting, and other professional fees remained consistent, with a marginal increase of \$19,645, representing a negligible change of 2% for Fiscal 2023, compared to the previous year.
- **General and administrative:** General and administrative expenses increased by \$112,859, reflecting a rise of 18% for Fiscal 2023, compared to the previous year. This increase can be attributed to higher insurance premiums & dues and membership costs in Fiscal 2023.
- **Marketing:** Marketing expenses decreased by \$109,301, representing a reduction of 10% for Fiscal 2023, compared to the previous year. This decrease is a result of the company's strategic efforts to significantly reduce advertising costs.
- **Selling and distribution:** Selling and distribution expenses decreased by \$286,752, reflecting a decline of 34% for Fiscal 2023, compared to the previous year. This decrease can be attributed to the discontinuation of various third-party warehouse service providers as part of management's cost-saving initiatives.
- **Technology and related:** Technology and related expenses increased by \$64,310, indicating a growth of 13% for Fiscal 2023, compared to the previous year. This increase is primarily due to subscription fees for accounting software and new customer support software subscription for the newly launched smartwatch products.
- **Stock-based compensation:** Stock-based compensation decreased by \$136,980 and 67% during Fiscal 2023, as compared to Fiscal 2022. The decrease is attributable to forfeited options associated with option holders leaving the Company before the vesting dates.
- **Impairment:** Impairment of assets increased by \$9,865,496 and 100% during Fiscal 2023, as compared to Fiscal 2022. This increase was a result of an impairment test conducted, leading to the recording of an impairment loss of \$9,865,496. Out of this amount, \$9,814,367 was allocated to goodwill, \$33,881 was allocated to prepaid expenses and deposits, \$348 to

Property, Plant and Equipment, and \$16,899 to the Right of Use asset. No impairment losses were recorded during the fiscal year ended March 31, 2022, the impairment in the year ended March 31 2023 was driven by declines in the Company's financial performance and future outlook and declines in the applicable revenue-based market valuation multiple.

- **Depreciation and Amortization:** Depreciation and amortization expenses decreased by \$829,082, representing a decline of 85% for Fiscal 2023, compared to the previous year. This decrease is primarily due to the diminishing depreciable base of the Company's Property, Plant, and Equipment and intangible assets. Machinery and equipment were fully depreciated in the previous year, resulting in a reduced depreciable base for the current year. Additionally, leasehold improvements were fully depreciated during the year 2023.
- **Finance costs:** Finance costs increased by \$704,634 and 41% during Fiscal 2023, as compared to Fiscal 2022. This increase can be attributed to additional finance costs incurred from additional financing obtained through Choco facility factoring, Vesta loan facility and Vesta revolving credit facility during Fiscal 2023.
- **Loss/ (Gain) on foreign exchange:** Gain on foreign exchange increased by \$620,392 and 483% during Fiscal 2023, as compared to Fiscal 2022. The gain has resulted due to Canadian Dollar-denominated intercompany loans and accounts payable in the Company's Hong Kong subsidiary and the relative strengthening of the Hong Kong Dollar relative to the Canadian Dollar..
- **Fair value gain/(loss) on financial instruments:** Fair value gain/(loss) on financial instruments decreased by \$2,018,327 and 102% during Fiscal 2023, as compared to Fiscal 2022. The instruments to which this fair value gain relates were settled during Fiscal 2022. The loss in the current period attributes to restructuring of the Convertible Debenture Notes (as defined below) during Fiscal 2023.
- **Listing Expense:** Listing expense decreased by \$1,416,407 and 100% during Fiscal 2023, as compared to Fiscal 2022. This is due to closure of Qualified Transaction in Fiscal 2022.

Inventory

The Company has provided a provision of \$128,390 (2022 - \$21,755) for non-moving and slow-moving inventory, and a provision for damaged goods inventory of \$2,843 (2022 - \$76,667). Over and above these provisions, the company has provided a provision of \$527,010 related to Kodak products held in inventories due to the termination of the related license agreement (Note 22 of the Financial Statements). The company has also written-off materials of \$1,444,316 related to previous generation moto watches which the Company no longer intends to procure. Additionally, finished goods of \$20,671 related to the Moto 150 and Moto 200 were written-off as these products have been terminated and the Company is not pursuing licensor approval. Inventory provisions and amounts written off are recognized in cost of products and services in the consolidated statements of loss and comprehensive loss.

Immaterial error corrections

The Financial Statements reflect certain immaterial corrections to the financial statements as at and for Fiscal 2022, the impacts of which are as follows:

- a decrease to finance costs of \$118,080 for Fiscal 2022 (a decrease in basic and diluted loss per share of \$0.01), and a corresponding decrease to accounts payable and decrease to Deficit of the same amount as at March 31, 2022. Accordingly, the previously reported Deficit as at March 31, 2022 of \$38,671,282 has been adjusted to \$38,553,201 and the previously reported Accounts payable and accrued liabilities has been adjusted from \$3,235,303 to \$3,117,222 as at March 31, 2022.
- an increase to revenue and cost of products and services of \$398,157. Accordingly, the previously reported revenue and cost of products and services of \$6,898,924 and \$5,412,921, respectively, have been adjusted to \$7,297,081 and \$5,811,078, respectively, for Fiscal 2022.
- an increase to net cash used in operating activities of \$332,662 and corresponding increase to net cash provided by financing activities for the same amount. Accordingly, the previously reported net cash used in operating activities and net cash provided by financing activities of (\$12,702,517) and \$12,985,126, respectively, have been adjusted to (\$13,035,179) and \$13,317,788, respectively, for Fiscal 2022.

Summary of Quarterly Results

For the period ending:	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30 2022	September 30, 2022	December 31, 2022	March 31, 2023
Total revenue - as previously presented	1,115,143	1,395,170	1,495,965	2,892,645	2,394,697	2,183,127	1,492,410	1,335,226
Adjustment (note 1)	97,431	85,170	122,256	88,233	46,975	64,171	33,825	0
Total revenue - corrected	1,212,574	1,480,341	1,618,221	2,980,878	2,441,672	2,247,298	1,526,235	1,335,226
Gross profit	117,730	453,671	255,710	658,890	547,520	514,629	(2,792,243)	(2,447,758)
Gross profit percentage - as previously presented	11%	33%	17%	23%	23%	24%	-187%	-164%
Gross profit percentage corrected	10%	31%	16%	22%	22%	23%	-183%	-183%
Net loss	(2,689,563)	(2,072,350)	(2,604,135)	(2,855,237)	(2,790,504)	(2,128,816)	(6,064,511)	(17,342,713)
Basic and diluted loss per share	-0.14	-0.09	-0.11	-0.12	-0.11	-0.08	-0.24	-0.69

Note 1 - The results for each of the quarters ended June 30, 2021 through to Dec 31, 2022 have been adjusted for an immaterial error correction; the impacts of which are an increase to Revenue in each period and a corresponding increase to Cost of products and services as shown in the "adjustment" line in the table above. As a result of these adjustments, there is no impact to gross profit. The impact of these adjustments to Gross profit percentage has been corrected in the table above. As a result of these adjustments there is no impact to net loss or to basic and diluted loss per share in each period.

- Total revenue has shown an increasing trend from the quarter ended June 30, 2021, to March 31, 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. However,

there is a decreasing trend visible from quarter ended Q4 2022 to quarter ended Q4 2023. This is primarily attributed to decline of sales of Moto 360 watch and lower B2C sales of moto watches on e-commerce platforms. Total revenue has increased in quarter ended March 2022 primarily as a result of the launch of the moto watch 100 late in the third quarter of Fiscal 2021-2022.

- Gross Profit has also shown an increase from the quarter ended June 30 2021 to quarter ended September 30 2022. The increase is primarily attributable to trend of sales from the said quarters. The increase in Cost of Sales leading to a gross loss in quarter ended December 31 2022 and March 31 2023 is attributable to inventory write offs due to discontinuance of Kodak products and liabilities arising on committed purchase orders for Kodak products resulting from termination of agreement with Eastman Kodak.
- Net Loss has remained consistent over quarters ended June 30 2021 to September 30 2022. The net loss has increased in the quarters ended December 31 2022 and March 31 2023 due to impairment of goodwill and other assets. Also, adding up to the loss is termination fees of Eastman Kodak royalty contract and liability arising out of commitment of royalty charges towards Kodak. Further, the finance cost on additional financing obtained has also contributed to the net loss.

LIQUIDITY AND CAPITAL RESOURCES

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

Liquidity and Capital Resources

	March 31, 2023	March 31, 2022
Cash	576,007	715,796
Total current assets	1,995,279	4,642,273
Total current liabilities	19,464,076	5,659,619

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 \$2.36 million (refer to "Commitments" below) in the next 12 months. The Company further has a commitment towards minimum guaranteed royalty

payments in the amount of \$3.3 million and NetSuite software subscription in the amount of \$116,263 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 March 31, 2023 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

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. The company has also launched new smartwatch products and has obtained factored financing facilities and working capital loan to meet up with the cash requirements.

Convertible Debenture Notes

On November 12, 2021 and May 26, 2022 the Company entered into convertible debenture notes ("Convertible Debentures 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 Debentures 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 Debentures 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. Prior to maturity, the Convertible Debentures Notes are convertible into Common Shares, at the option of the holders, at a conversion price per share of \$1.50. The Convertible Debentures 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 share purchase 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 share purchase warrants and the transaction costs have been recorded pro-rata on a net basis to the liability and equity components of the Convertible Debentures Notes.

Tranche	Date	Amount Drawn	Liability component	Equity component at inception
Tranche 1	November 12, 2021	\$1,000,000	\$964,454	\$35,545
Tranche 2	December 14, 2021	\$1,000,000	\$966,933	\$33,067
Tranche 3	January 25, 2022	\$1,000,000	\$964,150	\$35,851
Tranche 4	February 22, 2022	\$1,000,000	\$961,561	\$38,439
Tranche 5	May 26, 2022	\$1,000,000	\$938,664	\$61,336
		\$5,000,000	\$4,795,762	\$204,238

Debenture Notes

On January 13, 2023, the Company and the holders of the Convertible Debenture Notes amended the terms of the Convertible Debenture Notes described above in order to remove the holders' right 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 Tranches 1 – 4 to April 30, 2024 (collectively, the "Debenture Notes"). The amended terms represented a substantial modification and accordingly, the Convertible Debenture Notes were extinguished resulting in a loss of \$34,266 recognized in Loss on financial instruments in the statement of loss and comprehensive loss. The Debenture Notes with a face value of \$5,000,000 were initially recorded at fair value of \$4,565,673 on the date of the amended agreement and are thereafter measured at amortized cost.

Choco Facility

Previous arrangement

On August 5, 2020, the Company entered into a contract for the sale of US\$558,750 (CAD \$741,014) in future receivables for US\$500,000 (CAD\$663,100). This contract has a fee of 11.75% and is paid back monthly at a retrieval percentage of 6.5% for August 2020, 8.5% for September 2020, and October 2020, and 15% going forward. During Fiscal 2022, the Company has settled this debt obligation.

On October 13, 2020, the Company entered into a contract for the sale of US\$560,000 (CAD \$735,448) in future receivables for US\$500,000 (CAD\$656,650). This contract has a fee of 12% and is paid back monthly at a retrieval percentage of 8.5% for the first two months and subsequently 15% going forward. During Fiscal 2023, the Company has settled this debt obligation.

On March 10, 2021, the Company entered into a contract for the sale of US\$690,000 (CAD \$871,953) of future receivables for US\$500,000 (CAD\$631,850). This contract has a fee of 38% and is to be repaid over 8 months at US\$43,124 for the first month and \$92,411 each month for the remaining 7 months. During Fiscal 2023, the Company has settled this debt obligation.

On July 28, 2021, the Company entered into a contract for the sale of US\$1,400,000 (CAD \$1,745,771) of future receivables for US\$1,250,000 (CAD \$1,558,724). This contract has a fee of 12% and is paid back monthly at a retrieval percentage of 8.5% for August 2021, 8.5% for December 2021, and 15%

going forward. During Fiscal 2023, the Company paid the entire amount towards this debt obligation. This is a financing agreement and the accounts receivables factored still carry credit risk, are not sold, and are not derecognized from the Company's statement of financial position.

Current Arrangement

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 (CAD\$ 1,693,162) 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 August 26, 2022, the second tranche of US\$500,000 (CAD\$677,265) 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.

On October 31, 2022, the third tranche of US\$500,000 (CAD\$677,265) 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.

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 US\$500,000

(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 October 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 will be provided with security ranking pari passu with the holders of the Debenture 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.

On January 13, 2023, the Company amended the terms of the Vesta Loan Facility with Vesta . As a result of the amendment, the Vesta Loan Facility is payable on demand after 60 days prior written notice with no maturity date, interest is payable semi-annually in arrears, and payable annually in arrears and in particular, the security of the Vesta Loan Facility will rank pari passu with the Debenture Notes.

As consideration for the amendment of the terms, Vesta received 2,000,000 common share purchase warrants with each Warrant having an exercise price of \$0.10 per common share in the capital of the Company and being exercisable on or before two years after the date of issuance of the Warrants.

Vesta revolving credit facility

On December 13, 2022, the Company entered into a credit facility agreement of \$12,000,000 to be advanced in stages based on eligible customer purchase orders (the "Vesta Revolving Credit Facility"). 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 and is advanceable in either US or CAD. During Fiscal 2023 the company received advances from the facility of US\$1,997,570 (CAD\$2,755,637)

Founders' Notes

The Company has an aggregate carrying amount of 1,245,013 in outstanding convertible and non convertible founders' notes as of March 31, 2023 (the "**Founder's Notes**"). These Founder's Notes are held by various common shareholders of the Company.

During Fiscal 2023, the convertible Founder's Notes of tranche 1, with a face value of \$874,784, matured. Out of the total amount, \$480,935 was extended for a further 2 years, while the remaining amount of \$393,849 was neither extended nor repaid. The extended tranche 1 Founder's Notes were measured at fair value at the date of renewal resulting in a credit to equity of \$216,195.

Additionally, tranche 2 convertible Founder's Notes with a face value of \$300,000, also matured during the year. Out of the total amount, \$132,868 was extended for a further 2 years, while the remaining amount of \$167,131 was neither extended nor repaid. The extended tranche 2 Founder's Notes were measured at fair value at the date of renewal resulting in a credit to equity of \$60,924.

The tranche 3 Founder's Notes, with a face value of \$425,486, also matured during the year. Out of the total amount, \$201,597 was extended for a further 2 years, while the remaining amount of \$223,907 was extended but not repaid. The extended tranche 2 Founder's Notes were measured at fair value at the date of renewal resulting in a credit to equity of \$101,018.

The Founder's Notes bear interest at a rate of 4.5%. Tranche 1 and Tranche 2 are convertible and have a fixed conversion price of \$0.75 cents. These Founder's Notes are unsecured and subordinate to the Debenture Notes, Vesta Loan Facility, and Vesta Revolving Facility. The maturity date may be extended for an additional two years at the sole option of the Company if the Debenture Notes and Vesta Loan Facility are not fully repaid by the original maturity date.

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 which was delivered in January 2023.

CASH FLOWS

	Twelve months ended March 31, 2023	Twelve months ended March 31, 2022
Cash flow from (used) in:		
Operating activities	(7,282,774)	(13,035,179)
Investing activities	-	40,062
Financing activities	7,124,324	13,317,788
Effect of change in foreign exchange rates on cash	18,661	(4,212)
Net increase (decrease) in cash	(139,789)	318,459
Cash, beginning of period	715,796	397,337
Cash, end of period	576,007	715,796

Operating Activities

During the year ended March 31, 2023 cash used in operating activities was approximately \$7.28 million, compared to approximately \$13.04 million for the year ending March 31, 2022. The change in cash flow used in operating activities in comparative year was primarily due to the changes in non-cash working capital, majorly being reduction in inventory and accounts receivable as compared to previous year.

Investing Activities

During Fiscal 2023 cash provided by investing activities was nil, compared to approximately \$0.04 million for the year ending March 31, 2022. The change in cash flow used in investing activities in comparative year was primarily due to no cash received on asset disposal in comparison to prior year.

Financing Activities

During the year ended March 31, 2023, cash from financing activities was approximately \$7.12 million, compared to approximately \$13.32 million for the year ended March 31, 2022. 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 March 31, 2023, future minimum payments committed under non-cancellable agreements are as follows:

Paticulars	Less Than 1 Yr	1-3 Yrs	Total
Royalty Payments - Minimum Guarantee	3,338,916	5,170,918	8,509,834
Netsuite	116,263	116,263	232,526
Purchase Orders Placed	2,358,637	-	2,358,637
Total	5,813,816	5,287,181	11,100,997

During Fiscal 2023 the Company entered into a license termination agreement (the "Agreement") with Kodak which amended the expiration date of the agreement to June 30, 2023 and served to terminate the Company's future royalty commitments in exchange for a lump sum payment of US\$500,000 (C\$678,451). 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 was due by March 20, 2023. Under the terms of the Agreement, certain contractual royalty payments would be forgiven if the Company made the lump sum payments in accordance with the schedule specified in the agreement. The final payment due by March 20, 2023 was not made and therefore under the terms of the Agreement, all amounts owing to Kodak under the relevant trademark licensing agreements become due and payable as of that date. As at March 31, 2023 US\$1,449,942 (C\$1,954,316) has been recorded in accounts payable and accrued liabilities in accordance with the terms of the Agreement.

In addition, a provision of US\$1,716,979 (C\$2,324,097) has been recorded related to the unavoidable net costs of fulfilling contracts for non-cancellable inventory purchase commitments associated with Kodak inventory. Under the terms of the Agreement the Company is no longer licensed to sell Kodak

inventory and therefore the provision recognized has been measured based on the non-cancellable purchase order amount. This amount has been recognized in cost of products and services in the consolidated statements of loss and comprehensive loss.

The Company may be party to legal proceedings and claims that arise in the ordinary course of business as either a plaintiff or defendant. The Company analyzes all legal proceedings and the allegations therein. The outcome of any proceedings, either individually or in the aggregate, is not expected to have a material adverse effect on the Company's financial position, results of operations or liquidity.

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 March 31, 2023	As at July 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
Warrants	9,535,175 warrants to purchase one Common Share each	5,378,549 warrants to purchase one Common Share each
Options	1,594,208 options to purchase one Common Share each	849,042 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.

	March 31, 2023	March 31, 2022
Due to current/former shareholders and former officers	346,256	320,767

At March 31, 2023, accounts payable and accrued liabilities includes \$91,591 of amounts owed to directors and officers of the Company (March 31, 2022 – \$291,672). Further, the Founders' Notes includes \$12,010 from related parties (Note 12 of the Financial Statements).

In addition, the Vesta Loan Facility, Vesta Revolving Credit Facility, the Debenture Notes, and the previous Convertible Debenture Notes (see Note 12 of the Financial Statements) constitute a related party transaction for the purposes of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"), as it involves the Company borrowing money from an entity, Vesta Wealth Partners Ltd., a "related party" of the Company.

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, Founder's Notes, Vesta Loan Facility, Vesta Revolving Credit Facility and Choco Facility 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 Company's Board of Directors 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 March 31, 2023 and March 31, 2022 is as follows:

	March 31, 2023	March 31, 2022
Cash	\$576,007	\$715,796
Accounts receivable	\$417,953	\$765,107
Total	\$993,960	\$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 March 31, 2023, two customers accounted for 63% of the Company's accounts receivable (March 31, 2022 – two customers accounted for 60% of accounts receivable) and these two customer accounted for 27% of its revenue (March 31, 2022 – two customers accounted for 25% of revenue).

The Company considers accounts greater than 60 days old overdue. Accounts receivable includes \$38,169 and \$87,273 of accounts that are greater than 60 days old as at March 31, 2023 and March 31, 2022, respectively. The Company has recognized an expected credit loss of \$21,479 and \$22,105 on the accounts receivable as at March 31, 2023 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".

Subsequent to March 31, 2023 EBN, filed a voluntary assignment into bankruptcy under the Bankruptcy and Insolvency Act (the "Act"). On June 27, 2023, a Trustee was appointed under section 49 of the Act to administer the bankruptcy of EBN. The Trustee's appointment is subject to affirmation by the Company's creditors. Each of the Company's subsidiaries as described in Note 2e of the Financial Statements are subsidiaries of EBN. All of the Company's revenues are generated through EBN and its subsidiaries and there is a risk that existing contracts between eBuyNow and certain licensors, distributors and manufacturers may be terminated as part of the bankruptcy filing. While some of these contracts may be assigned to CE Brands by the Trustee there are no guarantees that such an assignment will occur and that any assigned contracts will be renewed at expiration.

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 \$130,561 increase on the net loss and accumulated deficit of the Company for the year ended March 31, 2023 (year ended March 31, 2022 – \$55,461).

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 \$92,760 impact on the comprehensive loss and accumulated deficit of the Company for the year ended March 31, 2023 (year ended March 31, 2022 - \$47,022).

SUBSEQUENT EVENTS

On June 6, 2023 the Company announced it is expanding its ecosystem of watches and wearables with the launch of Vitalist, a connected health brand that aims to connect consumers' biometric data with blood and saliva biomarker data.

Subsequent to March 31, 2023 the Company's wholly owned Canadian subsidiary, eBuyNow eCommerce Limited ("EBN"), filed a voluntary assignment into bankruptcy under the Bankruptcy and Insolvency Act (the "Act"). On June 27, 2023, a licensed insolvency trustee (the "Trustee") was appointed under section 49 of the Act to administer the bankruptcy of EBN. Each of the Company's subsidiaries as described in Note 2(e) are subsidiaries of EBN. The Trustee's appointment was affirmed on July 17, 2023.

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:

- **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. EBN filed voluntary bankruptcy in June 2023. 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 Revolving Loan 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 March 31, 2023. 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 March 31, 2023). 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 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 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 and 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. 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 March 31, 2023 as described below. Management have concluded that the Company's ICFR were not designed effectively as of March 31, 2023. 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 PLAN

The Company is developing and implementing plans to remediate the material weakness described above. The remediation activities include:

- Appointing a new CFO
- 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
- Enhancing management's review and oversight of the work performed by the Company's outsourced accounting service provider

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the 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 audited Financial Statements, are disclosed in the Fiscal 2023 Financial Statements.

ADDITIONAL INFORMATION

Additional information and documents relating to the Company and its operations, including the AIF, are available on SEDAR at www.sedar.com and on the Company's website at www.cebrands.ca.