



CE Brands Inc.

Management's Discussion and Analysis

For the interim period ended December 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 ("**TSX-V**") under the symbol CEBI, constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine month periods ended December 31, 2023 and December 31, 2022. This MD&A should be read in conjunction with the Company's unaudited Condensed Consolidated Interim Financial Statements and accompanying notes for the three and nine month periods ended December 31, 2023 and December 31, 2022, ("**Q3 FY24 Financial Statements**") as well as the audited financial statements of the Company for the fiscal years ended March 31, 2023 and March 31, 2022, together with the notes thereto which have been prepared in accordance with International Accounting Standard ("**IAS**") 34 and Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), respectively. Additional information relating to the Company, including the Company's financial statements, is available on SEDAR+ at www.sedarplus.ca.

This MD&A is dated February 14, 2024. 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 ability of the Company to continue as a going concern;
- the impact on the Company of the voluntary assignment into bankruptcy of eBuyNow eCommerce Ltd. ("**EBN**"), a wholly-owned Canadian subsidiary of the Company, which was filed by EBN on June 27, 2023 pursuant to the *Bankruptcy and Insolvency Act* (R.S.C., 1985, c. B-3) (the "**Act**") (collectively, the "**Bankruptcy**");
- the ongoing impact of COVID-19 on the Company;
- the effects of global supply constraints on the Company and the likelihood that such constraints will continue to occur and impact the Company;
- the plans of the Company for the Motorola (defined below) product category, the status of the Motorola product category relative to those plans, and the anticipated timing and costs to advance the Motorola product category;
- the plans of the Company for the Vitalist (defined below) product category, the status of the Vitalist product category relative to those plans, and the anticipated timing and costs to advance the Vitalist product category;
- the plans of the Company to terminate certain product lines and product categories;
- the strategies of the Company for customer retention and growth;
- anticipated demand for the products and services of the Company, and its ability to meet that demand;
- the Company's intent to maintain a flexible capital structure;
- the ability of the Company to generate sufficient cash to maintain its capacity and fund its growth and

development;

- fluctuations in the liquidity of the Company;
- the ability of the Company to meet its obligations as they become due;
- the plans of the Company for remedying its working capital deficiency;
- the need for the Company to pursue additional sources of financing and the ability of the Company to obtain such additional sources of financing;
- capital expenditures not yet committed, but required, to maintain the capacity of the Company and fund its growth and development;
- fluctuations in the capital resources of the Company;
- the sources of financing that the Company has arranged, but not yet used; and
- the plans of the Company to reduce 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 2024.

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 the Company 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 the Company cannot give any assurance that it will prove to be accurate. By its nature, forward-looking information is subject to various risks, 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:

- due to the Bankruptcy, contracts between EBN and its subsidiaries, and certain licensors, distributors, and manufacturers (i) may be terminated; (ii) may not be assigned by the Bankruptcy trustee to the Company, or, (iii) if any such contracts are assigned to the Company, there is risk that such assigned contracts may not be renewed at expiration;
- there is the potential for litigation to arise from creditors in connection with the Bankruptcy resulting in contingent liabilities and additional legal costs to the Company;
- there is a risk that the loss of control or relinquishment of substantially all of the assets of the Company in connection with the Bankruptcy which could ultimately result in the Company being unable to continue operations;
- certain liabilities of EBN and its subsidiaries may not be extinguished in connection with the Bankruptcy;
- due to the Bankruptcy, the Company may require additional funds by way of debt or equity financings to continue to fund its operating, investing, and financing activities;
- the Company may continue to experience negative impacts of global supply constraints;

- the Company has limited financial resources, a working capital deficiency and a history of negative cash flow, including negative cash flow from operating activities, and may require additional funds by way of debt or equity financings to continue to fund its operating, investing, and financing activities;
- the Company is at risk of not being able to settle its debt obligations or to extend, replace, or refinance its existing debt obligations on terms reasonably acceptable to the Company, or at all;
- global operations risks including unexpected changes in foreign governmental laws, policies, regulations or project locations concerning the import and export of goods, services and technology, and exposure to global credit and financial factors on consumers in the Company's areas of operations;
- the Company cannot guarantee that it will become cash-flow positive or profitable, and negative cash flow or the failure to become profitable in any future fiscal period could result in an adverse material change to the Company;
- 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, particularly when first introduced or when new versions are released
- global manufacturing risks including the risk that products manufactured by the Company may be subject to changing tariffs applied by selling countries to countries of origin with little or no warning due to the Company's use of factories in China, Vietnam, Taiwan, or Malaysia, from time to time;
- the Company's revenues may vary over time and with seasonality;
- the Company may not generate sufficient revenue to sustain operations;
- the Company may not be able to successfully negotiate contracts to source, develop, manufacture, pack, ship, distribute, or sell products economically, if at all;
- the Company relies on major components to be manufactured on an original equipment manufacturer basis, which involves several risks, including the possibility of defective products, a shortage of components, delays in delivery schedules, and increases in component costs;
- 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;
- the ability of the Company to successfully enter new markets is subject to uncertainties;
- there can be no assurance that the business and growth strategy of the Company will enable the Company to be profitable;
- 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, or at all;
- the Company may be required to obtain and maintain certain permits, licenses, and approvals in the jurisdictions where its products or technologies are being commercialized or sold, and there can be no assurances that the Company will be able to obtain or maintain any such necessary licenses, permits, or approvals;
- the future growth and profitability of the Company may be dependent in part on the effectiveness and efficiency of its sales and marketing expenditures;
- the Company may be exposed to product liability claims in the use of its products;
- the market for the Company's products is characterized by rapidly changing technology, evolving

industry standards, and customer requirements, which may cause the introduction of products embodying new technology and the emergence of new industry standards to render the existing technology solutions of the Company obsolete or unmarketable, and may also exert price pressures on the Company's existing solutions;

- the Company may not be able to develop new market relevant products in a timely manner;
- the ability of the Company to generate revenue will largely depend upon the effectiveness of its sales and marketing efforts, both domestically and internationally;
- the success of the Company is largely dependent on the performance of its key directors, officers, and employees;
- the commercial success of the Company 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 could become subject to a wide variety of cyberattacks on its networks and systems;
- the Company is engaged in an industry that is highly competitive and rapidly evolving;
- the new products provided by the competitors of the Company may render the existing products of the Company less competitive;
- the Company uses contract manufacturers to manufacture its products and products under development and its reliance on contract manufacturers subjects it to significant operational risks, many of which would impair its ability to deliver products to its customers should they occur;
- the management of the Company has limited experience operating public companies;
- the Company may become party to litigation, mediation, or arbitration from time to time in the ordinary course of business;
- 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;
- the business plan of the Company anticipates rapid growth, and the Company may not be able to continue to attract, hire, and retain the highly skilled and motivated officers and employees necessary to manage its growth effectively;
- 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;
- the Company may not be able to enhance its current products or develop new products at competitive prices or in a timely manner;
- the Company is subject to taxes in Canada and other foreign jurisdictions, and in the ordinary course of business, there may be many transactions and calculations where the ultimate tax determination is uncertain;
- a customer of the Company or counterparty to a financial instrument of the Company may fail to meet its contractual obligations to the Company;
- the ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems, which may not always be possible;
- the forecasts and models of the Company could be inaccurate;

- the accounting estimates and judgments of the Company could be incorrect;
- the Company may fail to develop or maintain effective controls on financial reporting;
- there is no assurance that insurance will be consistently available to the Company on economic terms, if at all; and
- the risk factors included in the Company's other continuous disclosure documents available on SEDAR+ at www.sedarplus.ca.

Readers are cautioned not to place undue reliance on the 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, because CEBI cannot give any assurance that it will prove to be accurate. 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.

BASIS OF PRESENTATION

In this MD&A all references to: (a) "**Q3 2024**" is to the three month period ended December 31, 2023; (b) "**Q3 2023**" is to the three month period ended December 31, 2022; (c) "**Fiscal 2023**" is to the fiscal year ended March 31, 2023; (d) "**Fiscal 2022**" is to the fiscal year ended March 31, 2022; and (e) "**Fiscal 2024**" is to the fiscal year ending March 31, 2024. The unaudited Condensed Consolidated Interim Financial Statements and the accompanying notes for the three and nine month periods ended December 31, 2023 and December 31, 2022, and this MD&A, were reviewed and approved by the Company's board of directors on February 14, 2024 on the recommendation of the Company's Audit Committee.

GOING CONCERN

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

There is considerable uncertainty with respect to the Company's ability to continue operations after the Bankruptcy. At December 31, 2023 the Company had a deficit of \$61.15 million (March 31, 2023 - \$66.63 million), and during the nine months ended December 31, 2023, generated net income of \$5.48 million which is inclusive of a gain on deconsolidation of \$10.45 million (December 31, 2022 – net loss of \$10.73 million) and used cash flow in operating activities of \$3.01 million (December 31, 2022 - \$6.03 million). At December 31, 2023, the Company had a working capital deficiency of \$8.7 million (March 31, 2023 – deficiency of \$17.47 million) which includes current debt of \$8.1 million.

There is also uncertainty as to the duration and impact of process of the Bankruptcy on the Company, including whether such process will impact the Company's ability to continue to operate. As of February 14, 2024 the Bankruptcy process is ongoing and EBN has not been discharged from bankruptcy. Certain possible impacts of the ongoing process of the Bankruptcy on the Company are described in the "Forward-Looking Information" section of this MD&A, above.

During the nine months ended December 31, 2023, the Company failed to make its contractual interest payments on its senior secured debentures in the principal amount of \$5,000,000 (the "**Debenture Notes**"). Additionally, the Company did not meet its minimum repayment requirements under the Sale and Purchase of Future Receivables Agreement dated May 24, 2022, between Happy CP Company Limited ("**Choco**") and the Company (collectively, the "**Choco Facility**"). The Choco Facility is a financing agreement for the sale of US\$2,475,000 of future receivables for net proceeds of up to US\$2,250,000, where the retrieval percentage

represents the deferred financing cost. The Choco Facility is a senior unsecured indebtedness collateralized by certain receivables and guaranteed by a former employee of the Company. The failure to make the foregoing payments is considered an event of default under each of the Choco Facility and the Debenture Notes, and such events of default provide their respective lenders the right to demand immediate repayment of all amounts outstanding. During the six months ended September 30, 2023, Vesta confirmed that the Bankruptcy did not constitute an event of default under the terms of the Debenture Notes or the Vesta Loan Facility (defined below) arrangements with the Company.

During the three month period ended December 31, 2023, the Company entered into arrangements with investment vehicles advised or managed by Vesta Wealth Partners Ltd. ("**Vesta**"), a "related party" of the Company under Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions, and with Choco, to restructure portions of CEBI's outstanding debt (collectively, the "**Debt Restructuring**"). Pursuant to the Debt Restructuring, the Debenture Notes, which are held by investment vehicles advised or managed by Vesta, were restructured by extending the maturity date of those debentures from April 30, 2024, to at least July 1, 2025. Further pursuant to the Debt Restructuring, following the waiver by Choco of any pre-existing rights it had under the Choco Facility associated with a contractual breach by the Company in relation to (i) the Bankruptcy; or (ii) any failure to pay interest or principal during the three month period ended September 30, 2023, an Amendment of Sale and Purchase of Future Receivables Agreement dated November, 15, 2023 was entered into between the Company and Choco (the "**Choco Amendment**") to amend the Choco Facility. Pursuant to the Choco Amendment, the previous minimum repayment covenant will be removed, and the Company must repay a total of US\$1,442,400 to Choco in accordance with the following repayment plan: in 2023 - US\$10,000; 2024 - US\$157,000; 2025 - US\$313,000; 2026 - US\$862,400; and 2027 - US\$100,000. Under such a plan, monthly repayments beginning in December 2025 will be calculated as the greater of the foregoing amounts or 5% of net revenue of CE Brands for the same period. The closing of the Choco Amendment is subject to the completion of the Prospectus Financing (defined below).

Effective October 27, 2023, the Company issued 42,197,484 common shares in the capital of the Company ("**Shares**"), at a deemed price of \$0.20 per Share, to certain creditors, including investment vehicles advised or managed by Vesta, to settle or repay, in the aggregate amount of \$8,439,497: (i) all the outstanding indebtedness of the Company under the 12-month senior secured loan facility of the Company in the principal amount of US\$2,000,000 that was granted to the Company on June 13, 2022 (the "**Vesta Loan Facility**"); (ii) a portion of the interest on the Debenture Notes; and (iii) a portion of the outstanding indebtedness under the revolving credit facility, in the principal amount of \$12,000,000, granted by Vesta to the Company (the "**Revolving Vesta Credit Facility**"). Immediately following the settlement of the foregoing indebtedness, Vesta had a combination of beneficial ownership of and control or direction over, directly or indirectly, approximately 85.47% of the issued and outstanding Shares. As at December 31, 2023 there was no outstanding balance on the Vesta Loan Facility.

Effective January 30, 2024, the Company entered into definitive amending and waiver agreements with the holders of the Debenture Notes, to: (i) extend the maturity date of the Debenture Notes from April 30, 2024 to October 1, 2025; (ii) waive any pre-existing rights associated with a contractual breach in relation to the Bankruptcy; (iii) waive any pre-existing rights associated to a contractual breach, including any failure to pay interest or principal, in relation to any event prior to January 30, 2024; and (iv) amend the interest payment frequency of the Debenture Notes to quarterly payments commencing on April 1, 2024.

The Company's ability to continue operations and remain a going concern is impacted by achieving profitable operations, while securing additional funding through debt and equity financing to fund its operating, investing, and financing activities. Although the Company is currently engaged in the Prospectus Financing, there can be no assurance that such financing will be completed or that it will be sufficient such that additional debt or equity financing is not required in the foreseeable future. In addition, any future financing activities may not be available on terms acceptable to the Company or at all. There can be no assurance as to whether the Company will achieve profitable operations, successfully navigate the Bankruptcy, or that debt or equity financing will continue to be available or be sufficient to meet the Company's requirements or for other

corporate purposes or, if debt or equity financing is available, that it will be available on terms acceptable to the Company or at all. These conditions create a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, and could have a material adverse effect on the Company's financial condition, results of operations or prospects.

This MD&A, and the accompanying unaudited condensed consolidated Interim 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 is a public company traded on the TSX-V under the symbol CEBI. The Company's registered and head office is 2100 Livingston Place, 222 3rd Avenue SW, Calgary, AB T2P 0B4. Using sales data analytics, the Company selects growth products and partners in the consumer electronics space to develop and sell globally via multiple sales channels.

The Company is a data-driven consumer electronics company that focuses on wearables and connected health. It works with analytical tools to identify precise gaps in the wearables space 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 products within the wearables and connected health space for sale through their network of global distributors and e-commerce platforms.

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.

- **Data Driven Market Intelligence:** Harvesting and analyzing consumer feedback at a scale to identify consumer electronics market opportunities.
- **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.

SHARE CONSOLIDATION TRANSACTION

On January 24, 2024, the Company consolidated its outstanding common shares on the basis of one (1) post-consolidation share for every ten (10) pre-consolidation shares issued and outstanding as of the close of business on January 24, 2024 (the "Consolidation"). As a result of the Consolidation, Company's shareholders received one (1) post-consolidation common share for every ten (10) pre-consolidation shares held by them. No fractional shares were issued as a result of the Consolidation; fractional interests were rounded to the nearest whole number of shares without any consideration payable therefor. IAS 33 Earnings Per Share requires retrospective adjustment to the number of shares and EPS in such cases even if such a transaction occurred after the reporting period. Hence, the number of common shares, warrants, options and earnings per share presented have been restated retrospectively for all the periods to reflect the Consolidation.

DECONSOLIDATION

Prior to EBN filing the Bankruptcy on June 27, 2023, all other subsidiaries of the Company were wholly-owned subsidiaries of EBN with the exception of CE Brands International Inc., which is a wholly-owned subsidiary of CEBI and was incorporated on April 21, 2023. Harris & Partners Inc. (the "Trustee" or "HPI"), a licensed insolvency trustee, was appointed as EBN's trustee in bankruptcy on June 27, 2023 pursuant to section 49 of

the Act, to administer the Bankruptcy, thus removing CEBI's control of EBN. Effective June 27, 2023, EBN made an assignment of all its property for the general benefit of its creditors to HPI, and was subsequently deconsolidated (the "**Deconsolidation**") because CEBI lost decision-making power over the relevant activities of EBN and its subsidiaries to the Trustee.

Pursuant to the Deconsolidation, the Company derecognized the assets and liabilities of EBN and EBN's subsidiaries as of June 27, 2023, resulting in a gain to CEBI's income of \$10.45 million and that all foreign currency translation gains and losses related to the Company's subsidiaries recorded prior to the Deconsolidation were reversed and recorded to the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss). The Deconsolidation was accounted for prospectively as at the date of the Bankruptcy. A summarized table of the assets and liabilities deconsolidated can be found in Note 2 of the Q3 FY24 Financial Statements.

OUTLOOK

This section contains certain forward-looking statements. Please refer to the disclosure in the “Forward-Looking Information” section of this MD&A, above, for a discussion of risks and uncertainties related to such statements.

General

The Company is a data driven consumer electronics company that focuses on the wearables and connected health market. Its two-pronged approach is: (1) the licensing, manufacturing, and distribution of smartwatches under the “Motorola” brand; and (2) the combination of biomarker and biometric data to monitor general user health and fitness under its in-house “Vitalist” brand. The Company has sold products into 59 countries worldwide through direct distribution channels and retail partners.

Prospectus Financing

On November 20, 2023 the Company filed a preliminary short-form prospectus (the “**Preliminary Prospectus**”) with the securities regulatory authorities in Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Prince Edward Island, and Saskatchewan, in connection with a public offering of Shares (the “**Offering**”), at an issue price of \$0.20 per Share (the “**Issue Price**”), for minimum gross proceeds of \$4,000,000 and maximum gross proceeds of \$5,000,000 (collectively, the “**Prospectus Financing**”). The number of Shares to be distributed will be determined by negotiation in the context of the market between the Company and Integral Wealth Securities Limited (“**Integral**”), whom the Company has engaged as its sole agent for the Offering. The Company has agreed to grant to Integral an option, exercisable in whole or in part at any time until the date that is 30 days after the closing of the Offering, to market for sale up to an additional 10% of the number of Shares sold pursuant to the Offering on the same terms as the Shares, and in exchange for marketing the Offering, the Company will pay to Integral a cash commission equal to 8% of the gross proceeds of the Offering as well as such number of agent warrants as is equal to 8% of the aggregate number of Shares and over-allotment Shares sold under the Offering. Each such agent warrant will entitle the holder to purchase one Share, at the Issue Price, for a period of 12 months following the closing date of the Offering. Completion of the Offering is subject to a number of conditions, including, without limitation, receipt of TSXV and all other regulatory approvals. The net proceeds of the Offering, after deducting applicable fees and expenses, are intended to be used for working capital and general corporate purposes; repayment of the Revolving Vesta Credit Facility; inventory, samples, and tooling; marketing; transaction fees and commissions.

Motorola Products

On November 17, 2023, the Company executed a brand licensing agreement (the “**License Agreement**”) with Motorola Mobility LLC (“**Motorola**”). Under the License Agreement, Motorola has granted to the Company a 12 month license to: (a) utilize the Motorola trademark to source, manufacture, package and provide the Moto Products as specifically authorized in the Brand License Agreement; (b) utilize the Motorola trademark to distribute, promote, advertise, service, offer, provide and sell the Moto Products to authorized retailers, authorized distributors, and consumers in certain territories through authorized sales channels; and (c) grant to authorized retailers and authorized distributors the right to resell the Moto Products in certain territories through authorized sales channels. In exchange for the license granted by the Brand License Agreement, the Company will pay Motorola a royalty equal to a portion of the net sales of the Moto Products.

Vitalist™ Products

On June 6, 2023, the Company announced the launch of Vitalist™, an in-house wearables health brand. With a focus on affordability and market availability, Vitalist™ will specialize in cost-effective wearables 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 wearables 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 wearable data and biomarker analysis, the Company 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 Company plans to foster an ecosystem that promotes proactive health management through the integration of wearables, 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 Company plans to bring multiple wearable 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 financial statements of the Company for the interim period ended December 31, 2023:

	Three months ended December 31		Nine months ended December 31	
	2023	2022	2023	2022
Total revenue	199,361	1,526,235	1,418,159	6,215,205
Cost of products and services	164,558	4,318,478	844,931	7,945,299
Gross profit (loss)	34,803	(2,792,243)	573,228	(1,730,094)
Net Income (loss)	(1,143,528)	(6,064,511)	5,478,018	(10,730,649)
Total comprehensive Income (loss)	(1,143,528)	(6,287,152)	5,495,686	(10,614,102)
Basic and diluted loss per share	(0.04)	(2.40)	0.44	(4.24)

As at	December 31, 2023	March 31, 2023
Total assets	742,786	1,995,279
Total non-current financial liabilities	-	5,097,002

The Company's Q3 Fiscal 2024 Financial Statements reflect the balances of CEBI and its wholly-owned subsidiary, CE Brands International Inc. The comparative period figures reflect the balances of CEBI and of EBN and its wholly owned subsidiaries.

Selected financial and operational highlights include the following:

- Revenue decreased by \$1.33 million, reflecting an 87% drop in the three month period ended December 31, 2023 as compared to the corresponding period of the prior year. The decreases can be attributed to the termination of the trademark license agreement between Eastman Kodak Company and the Company, which ended the sales of Kodak products, lower Business to Consumer ("B2C") sales of Motorola watches on e-commerce platforms in the first fiscal quarter of 2024 (April 2023 to June 2023) and no B2C sales thereafter.
- Gross profit was \$0.03 million in the three months ended December 31, 2023, a \$2.83 million improvement to the same period in the prior year. The improvement is due to sales of the Moto 70 and Moto 40 watches during the three month period ended December 31, 2023, both bearing higher gross profit ratios than compared to Kodak products, which held a considerable portion of sales during the three month period ended December 31, 2022. The Company also realized significant provisions and write-offs of inventory in the period ended December 31, 2022, which were not experienced in the current period.
- There was a net loss of approximately \$1.14 million for the three month period ended December 31, 2023, which represents an 81% improvement compared to the \$6.06 million net loss for the corresponding period in Fiscal 2023. The decrease in net loss was due to lower operating expenditures and comparative increase in gross profit ratio for the three months ended December 31, 2023.

Results of Operations

The following section provides an overview of our financial performance during Fiscal 2024 as compared to Fiscal 2023.

	For the three months ended		For the nine months ended	
	December 31		December 31	
	2023	2022	2023	2022
	(adjusted - note 2)		(adjusted- note 2)	
Revenue	199,361	1,526,235	1,418,159	6,215,205
Cost of products and services	164,558	4,318,478	844,931	7,945,299
Gross profit	34,803	(2,792,243)	573,228	(1,730,094)
Expenses				
Wages and contractors	537,331	952,166	1,606,947	3,030,495
Legal, accounting and other professional fee:	140,255	203,343	659,104	648,516
Royalties and license fees	9,992	978,446	396,268	1,858,929
Loss (gain) on foreign exchange	(31,584)	(273,835)	348,466	(498,670)
Vendor set up costs	-	-	183,010	-
General and administrative	51,085	256,255	231,295	682,918
Marketing	32,401	265,928	190,094	722,763
Technology and related	54,677	154,400	163,654	441,921
Selling and distribution	4,913	104,287	49,395	470,755
Stock-based compensation	5,743	27,738	(30,821)	30,990
Depreciation & amortization	-	19,764	-	127,974
Operating loss	(770,010)	(5,480,736)	(3,224,184)	(9,246,685)
Finance costs	(397,455)	(639,871)	(1,505,800)	(1,517,714)
Other finance charges	23,937	(17,783)	(238,813)	(55,462)
Gain on deconsolidation	-	-	10,446,815	-
Fair value gain/(loss) on financial instrument	-	(163)	-	(163)
Income (loss) before income tax	(1,143,528)	(6,138,553)	5,478,018	(10,820,025)
Income tax recovery	-	(74,042)	-	(89,376)
Net income (loss)	(1,143,528)	(6,064,511)	5,478,018	(10,730,649)
Other comprehensive income				
Gain on translation of foreign operations	-	(222,641)	294,539	116,547
Reclassification of foreign currency gains on deconsolidation	-	-	(276,871)	-
Comprehensive income (loss)	(1,143,528)	(6,287,152)	5,495,686	(10,614,102)
Net income (loss) per share- basic and diluted	(0.04)	(2.40)	0.44	(4.24)
Weighted average number of shares – basic and diluted	32,342,459	2,527,801	12,502,970	2,529,079

(1) Please refer to the “Immaterial error correction” section in Note 2 of the Q3 FY24 Financial Statements and the “summary of quarterly results” table in this document for the adjustments made in prior year columns.

(2) On January 24, 2024 Company completed a 10 to 1 share consolidation transaction where in the outstanding common shares, share warrants & share options were consolidated on a 10:1 basis i.e. for every 10 existing shares, one (1) new share was issued. The number of common shares, per share amount, warrants and options, including comparative figures have been adjusted to reflect the reverse split.

- **Revenues:** Revenue decreased by \$1.33 million, reflecting a decrease of 87% in Q3 2024 compared to Q3 2023. Total revenue decreased by \$4.80 million, reflecting a decrease of 77% in the nine month period ended Q3 2024 as compared to Q3 2023. The reason can be attributed to the termination of Kodak agreement, lower B2C sales of moto watches on e-commerce platforms in Q1 2024 and no B2C sales thereafter.
- **Cost of products and services and Gross profit:** The cost of products and services decreased by \$4.15 million, reflecting a decrease of 96% in Q3 2024 compared to Q3 2023. There was an increase in gross profit ratio from -183% in Q3 2023 to 17% in Q3 2024, improving gross margin by \$2.83 million, owing to an improved product mix with a greater proportion of positive margin products. The cost of products and services decreased by \$7.10 million, reflecting a decrease of 89% during the nine months period ended Q3 2024 compared to Q3 2023, given the entity made no inventory purchases during the period of June to November, 2023. All the Cost of Products reflected in the income statement for the three months ending December 31, 2023 belong to purchases made during the month of December, 2023. There was an improvement to Gross profit during the three months ended December 31, 2023 of \$2.83 million, or 101%, as compared to the period in the prior year. This improvement is a result of an improved product mix whereby sales of the Moto 70 and Moto 40 watches during Q3 2024, both bearing higher gross profit margins than Kodak products increased relatively. As compared to the gross loss of \$1.73 million during the nine months ended December 31, 2022, the entity made a gross profit of \$0.57 million. This was driven by the fact that multiple inventory write offs took place in December, 2022, whereas, no such write offs took place during the nine month period ended Q3 2024.
- **Wages and contractors:** Wages and contractor expenses decreased by \$0.41 million, indicating a decrease of 44% for Q3 2024, compared to Q3 2023. Wages and contractor expenses decreased by \$1.42 million, indicating a decrease of 47% for the nine month period ended Q3 2024, compared to Q3 2023. The decrease can be attributed to the termination of employees and contractors on account of the bankruptcy of EBN and its subsidiaries.
- **Legal, accounting, and other professional fees:** Professional fees decreased by \$0.06 million representing a decrease of 31% for Q3 2024, compared to Q3 2023. The decrease is driven by a reduction in international operations related to the EBN bankruptcy. The Company no longer manages tax compliance, benefits programs, and other other services in multiple global jurisdictions reducing the number of professional services providers. Professional fees increased by \$0.01 million representing a negligible increase of 2% for the nine month period ended Q3 2024, compared to Q3 2023.
- **Royalties and license fees:** Royalties and license fees decreased by \$0.97 million, representing a decrease of 99% for Q3 2024, compared to Q3 2023. Royalties and license fees decreased by \$1.46 million, representing a decrease of 79% for the nine month period ended Q3 2024, compared to the corresponding period in 2023. This decrease can be attributed to removal of Kodak royalties in Q1 2024 on account of Company's termination of its contract with Kodak.
- **Loss (gain) on foreign exchange:** Gain on foreign exchange decreased by \$0.24 million and 88% for Q3 2024, compared to Q3 2023. However on a "year to date" basis, Loss on foreign exchange increased by \$0.85 million and 170% for the nine month period ended Q3 2024, compared to the corresponding period in Fiscal 2023. The loss was due to an increase in the US Dollar-denominated debts and the overall strengthening of the US Dollar relative to the Canadian Dollar during the nine months ending December 31, 2023.
- **Vendor set up costs:** The vendor set up costs of \$0.18 million was incurred during three months ended September 30, 2023. These costs can be attributed to the vendor continuity and vendor initiation expenses incurred by the Company. No such costs were incurred in the comparative periods.
- **General and administrative:** General and administrative expenses decreased by \$0.21 million, reflecting a decrease of 80% for Q3 2024, compared to Q3 2023. General and administrative expenses decreased by \$0.45 million, reflecting a decrease of 66% for the nine month period ended Q3 2024, compared to Q3 2023. This decrease can be attributed to downsizing in operations of the entity and fewer number of subsidiaries and legal entities, reduced rent expenses & dues, and membership costs in Q3 2024 as

compared to Q3 2023.

- **Marketing:** Marketing expenses decreased by \$0.23 million, representing a reduction of 88% for Q3 2024, compared to Q3 2023. Marketing expenses decreased by \$0.53 million, representing a reduction of 74% for the nine month period ended Q3 2024, compared to the corresponding period in fiscal 2023. This decrease was a result of no sales being made from July 2023 up to Nov 2023.
- **Technology and related:** Technology and related expenses decreased by \$0.10 million, indicating a decline of 65% for Q3 2024, compared to Q3 2023. Technology and related expenses decreased by \$0.28 million, indicating a decline of 63% for the nine month period ended Q3 2024, compared to Q3 2023. This decrease is primarily due to a reduction in subscription fees for accounting and other softwares, due to the decrease in the number of employees and relatively lower operations during the nine months ending December 31, 2023.
- **Selling and distribution:** Selling and distribution expenses decreased by \$0.10 million, reflecting a decline of 95% for Q3 2024, compared to Q3 2023. Similarly, Selling and distribution expenses decreased by \$0.42 million, reflecting a decline of 90% for the period of nine months till Q3 2024, compared to the nine month period ended Q3 2023. This decrease can be attributed to the termination of all third-party warehouse service providers on the account of EBN's Bankruptcy.
- **Stock-based compensation:** Stock-based compensation decreased by \$0.02 million, or 79% for Q3 2024, compared to Q3 2023. Stock-based compensation recovery increased by \$0.06 million, or 199% for the nine month period ended Q3 2024, compared to Q3 2023. This decrease is attributable to forfeited options associated with option holders leaving the Company before the vesting dates during the nine months period ended December 31, 2023.
- **Depreciation and amortization:** Depreciation and amortization expenses decreased by \$0.02 million, representing a decline of 100% for Q3 2024, compared to Q3 2023. Depreciation and amortization expenses decreased by \$0.13 million, representing a decline of 100% for the nine month period ended Q3 2024, compared to Q3 2023. This decrease is due to the full depreciation and write-off of the Company's Property, plant, and equipment, Right of use asset and Intangible assets in the prior fiscal year, resulting in no expense for the current period.
- **Finance expenses:** Finance costs decreased by \$0.24 million, or 38% for Q3 2024, compared to Q3 2023. Finance costs decreased by \$0.01 million, or 1% for the nine month period ending Q3 2024, compared to Q3 2023. This decrease can be attributed to the repayment of principal & interest on debt in October 2023 via the issuance of common shares by the Company. This resulted in a reduction of interest expense on the outstanding debt balances.
- **Other finance charges and fees:** Other finance charges decreased by \$0.04 million, or 235% for Q3 2024 compared to Q3 2023. However, it has increased by \$0.18 million, or 331% for the nine month period ending Q3 2024, compared to Q3 2023. The overall Increase in other finance charges can be attributed to an overall increase in interest expense on vendor balances outstanding and other finance charges and fees.
- **Gain on deconsolidation:** On June 27, 2023, the net assets of EBN and its subsidiaries were deconsolidated for accounting purposes as a result of EBN entering into voluntary bankruptcy and CE Brands Inc. losing its control over the EBN. The deconsolidation resulted in a \$10.45 million gain. There was no comparable figure in Q3 2023.
- **Gain on translation of foreign operations and Reclassification of foreign currency losses on deconsolidation:** Gain on translation of foreign operations decreased by \$0.18 million, or 153%, for the nine months period ending Q3 2024, compared to Q3 2023. Reclassification of foreign currency losses on deconsolidation increased by \$0.28 million and 100% for the nine months ended Q3 2024, compared to Q3 2023, due to a one time recycling of accumulated currency translations at the time of deconsolidation of EBN.

Summary of Quarterly Results

For the period ending:	March 31, 2022	June 30 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
Total revenue - as previously presented	2,892,645	2,441,672	2,247,298	1,492,410	1,335,226	1,218,798	-	199,361
Adjustment (note 1)	88,233	-	-	33,825	-	-	-	-
Total revenue - corrected	2,980,878	2,441,672	2,247,298	1,526,235	1,335,226	1,218,798	-	199,361
Gross profit	658,890	547,520	514,629	(2,792,243)	(2,447,758)	538,425	-	34,803
Gross profit percentage - previously presented	23%	23%	24%	-187%	-164%	44%	0%	17%
Gross profit percentage corrected	22%	22%	23%	-183%	-183%	44%	0%	17%
Net income / (loss)	(2,854,707)	(2,537,324)	(2,128,816)	(6,064,511)	(17,342,713)	8,667,973	(2,046,427)	(1,143,528)
Basic and diluted loss per share	(1.20)	(1.00)	(0.80)	(2.40)	(6.90)	3.40	(0.80)	(0.04)

(1) The results for each of the quarters ended March 31, 2022 through to December 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 was no impact to gross profit. The impact of these adjustments to Gross profit percentage was corrected in the table above. As a result of these adjustments there was no impact to net loss or to basic and diluted loss per share in each period.

- **Revenue:** The decreasing trend visible from quarter ended March 31, 2022 to the quarter ended June 30, 2023 is attributed to decline of sales of Moto 360 watch and lower B2C sales of moto watches on e-commerce platforms and termination of Kodak contract. On June 27, 2023 EBN entered into voluntary bankruptcy and sales ceased. There was no revenue in the quarter ended September 30, 2023 as the Company renegotiated its contract with Motorola. The Licensing Agreement was signed with Motorola on November 17, 2023 and sales restarted thereafter.
- **Gross profit (%):** Showed a stable trend from the quarter ended March 31, 2022 to quarter ended September 30, 2022. Gross profit became negative in the third quarter of fiscal 2023 due to the increased inventory write offs related to the termination of Kodak agreement, as well as liabilities arising on committed purchase orders for Kodak products resulting from the termination of the Kodak agreement. The Company returned to positive Gross profit in the period ended June 30, 2023 due to an improved product mix decreasing the Cost of products and services as a percentage of sales. The better product mix was driven by an increased proportion of total sales coming from products such as the moto watch 100, versus the prior year which had a product mix including moto watch 360 with a comparatively lower gross margin. Further, there were no material write-offs or impairments of inventory in the first quarter of fiscal 2024. There were no sales in the quarter ended September 30, 2023, however sales restarted in the following quarter, generating positive gross margin.
- **Net Loss:** Remained consistent over the quarters ended March 31, 2022, to September 30, 2022. The net loss increased in the quarters ended December 31, 2022, and March 31, 2023, due to impairment of goodwill and other assets. Termination fees on the Kodak royalty contract and liability arising out of commitment of royalty charges towards Kodak, as well as rising financing costs, further added to the losses during this period. The net income in the quarter ended June 30, 2023 is due to reduced operating expenditures resulting from cost cutting activities and a significant gain on the deconsolidation of EBN and its subsidiaries. The net loss in the quarter ended September 30, 2023 is a result of reduced operating expenditures offset by the absence of sales. Net loss decreased in the quarter ended December 31, 2023 due to reductions in spending and the reinitiation of Motorola product sales.

LIQUIDITY AND CAPITAL RESOURCES

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

Liquidity and Capital Resources	December 31, 2023	March 31, 2023
Cash	7,098	576,007
Total current assets	742,786	1,995,279
Total current liabilities	9,441,322	19,464,076
Working capital deficiency	(8,698,536)	(17,468,797)

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 \$0.58 million (refer to "Commitments" below) in the next 12 months.

The Company currently has a working capital deficiency and whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to December 31, 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 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 launched new smartwatch products during the period, and has factored financing facilities and a working capital loan to meet the related cash requirements.

Debenture notes (formerly “Convertible debenture notes”)

On November 12, 2021, and May 26, 2022 the Company entered into convertible debenture notes with an aggregate principal amount of \$4,000,000 and \$1,000,000 respectively subject to delayed draws to address the Company’s working capital needs. The convertible notes bore an interest rate of 15.0% per annum on outstanding principal amounts, payable on the first and second anniversary of the issue date, unless earlier redeemed or converted. The convertible notes were senior secured obligations of the Company and mature on the second anniversary of the issue date. The convertible debentures were issued in tranches as follows:

Tranche	Issue date	Maturity date	Amount drawn \$	Liability value \$	Equity value \$
Tranche 1	Nov. 12, 2021	Nov. 30, 2023	1,000,000	964,454	35,545
Tranche 2	Dec. 14, 2021	Nov. 30, 2023	1,000,000	966,933	33,067
Tranche 3	Jan. 25, 2022	Nov. 30, 2023	1,000,000	964,150	35,851
Tranche 4	Feb. 22, 2022	Nov. 30, 2023	1,000,000	961,561	38,439
Tranche 5	May 26, 2022	May 26, 2024	1,000,000	938,664	61,336
Total			5,000,000	4,795,762	204,238

Prior to maturity, the convertible debenture notes were convertible into common shares of the Company, at the option of the holders, at a conversion price per share of \$15.00. The convertible notes were not redeemable by the Company prior to the first anniversary of the issue date. The Company issued 200,000 and 50,000 warrants as part of the financing. Each warrant is exercisable at \$10.00 per common share for a period of 24 months from issuance dates of November 12, 2021, and May 26, 2022, respectively. The fair value of each issuance of warrants were \$355,760 and \$21,206 respectively, determined using a Black-Scholes-Merton model. Further, \$243,528 and \$19,905 of transaction costs were recorded at the funding date respectively. The fair value of the warrants and the transaction costs were recorded pro-rata on a net basis to the liability and equity components of the convertible notes.

On January 13, 2023, the Company and the holders of the convertible debenture notes amended the terms of the instruments to remove the holders’ right to convert into shares, to remove the option of the holders to request that interest be payable in common shares, and to extend the maturity date of all tranches to April 30, 2024 (collectively, the “**Debenture notes**”). The amended terms represented a substantial modification and the convertible debenture notes were extinguished resulting in a loss of \$34,266. The Debenture notes, with a principal value of \$5,000,000, were initially recorded at fair value of \$4,565,673 on the date of the amended agreement and were thereafter measured at amortized cost.

On October 12, 2023, the Company entered into definitive agreements to issue shares to settle its accrued interest balance on the Debenture notes. Under this agreement, interest of \$1,270,685 was settled with the issuance of 6,353,425 common shares to the Debenture note holders at a price of \$0.20.

On November 14, 2023, the Company and Vesta signed a letter of intent to restructure the Debenture notes in the aggregate principal amount of \$5,000,000, which are held by investment vehicles advised or managed by Vesta, by extending the maturity date of those debentures from April 30, 2024, to at least July 1, 2025.

During the nine months ended December 31, 2023 Vesta confirmed the bankruptcy of EBN did not constitute an event of default under the terms of the Debenture notes arrangements with the Company. During the nine months ended December 31, 2023, the Company failed to make its contractual interest payments on the Debenture notes. The failure to make these payments is considered an event of default. Subsequent to the period end, the Company entered into definitive amendment agreements with the holders of the Debenture notes, whereby these defaults were waived.

As at December 31, 2023, the Company calculated the fair value of Debenture notes as \$4,874,383 using an effective interest rate of 25% and a maturity date of April 30, 2024.

Loan Facility

On June 20, 2022, the Company entered a binding term sheet with the Vesta Fund for a loan agreement (the “**Loan Facility**”) to fund working capital and for other general corporate purposes, including the purchase of inventory, shipping costs and duty expenses. The 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 Loan Facility was for up to a maximum of US\$2,000,000 (\$2,598,800) at an effective annual interest rate of 18.0% payable monthly based on the total drawn amount of the Loan Facility. There was no standby fee or interest due on undrawn amounts. The Loan Facility was drawn in three tranches as noted below.

Tranche	Issue Date	Amount
Tranche 1	July 15, 2022	500,000
Tranche 2	August 15, 2022	500,000
Tranche 3	October 4, 2022	1,000,000
Total		2,000,000

The principal and accrued interest of the Loan Facility was payable on the date which was 12 months following the date of the funding and was callable at any time by the lender with 30 days written notice at the lender’s full discretion. The Loan Facility was a senior secured obligation of the Company, and the Vesta Fund will be provided with security ranking *pari-passu* with the holders of the Debenture notes (formerly the “Convertible debenture notes”).

Availability of the 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 Loan Facility and the Company’s ability to access any undrawn amounts. Termination of the 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 US\$2,000,000 Loan Facility with the Vesta Fund. As a result of the amendment, the Loan Facility is payable on demand after 60 days prior written notice with no maturity date, interest is payable semi-annually in arrears, and the security of the Loan Facility will rank *pari-passu* with the Debenture notes.

As consideration for the amendment of the terms, the Vesta Fund received 200,000 common share purchase warrants with each warrant having an exercise price of \$1.00 per common share and an expiry date of two years after the issuance date of the warrants.

On October 12, 2023, the Company entered into definitive agreements to issue common shares to settle its accrued interest and principal balances on the Loan Facility. Under this agreement, interest and principal of US\$424,394 (\$577,642) and US\$2,000,000 (\$2,722,200) respectively were settled with the issuance of 16,499,210 common shares to Vesta at a price of \$0.20. As at December 31, 2023 there was no outstanding balance on the Loan Facility.

Choco Facility

On May 24, 2022, the Company entered an agreement for the sale of US\$2,475,000 (\$3,174,435) of future receivables for net proceeds of up to US\$2,250,000 (\$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 funds committed under the Choco Facility were drawn in three tranches with an initial tranche of US\$1,250,000 (\$1,693,162) of proceeds available to the Company on close for future receivables of US\$1,375,000 on June 22, 2022. The initial tranche was 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 (\$677,265) was funded. The second tranche provided proceeds of US\$500,000 for future receivables of US\$550,000. This tranche was 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 (\$677,265) was funded. The third tranche provided proceeds of US\$500,000 for future receivables of US\$550,000. The third tranche was to be repaid over eight months with a retrieval percentage of 6.3% and maximum payments of US\$61,875 per month for the first four months and US\$100,833 per month for the remaining four months.

During the prior fiscal year, the Company repaid US\$1,182,600, leaving US\$1,292,400 (December 31, 2023 - \$1,712,423 and March 31, 2023 - \$1,750,594) outstanding.

On November 15, 2023, the Company signed an amendment agreement with Choco (the "Choco Amendment"), which is subject to the closing of the prospectus financing. The Choco Amendment will affirm Choco's waiver of past non-compliance with minimum repayment requirements and will revise the repayment schedule of the Choco Facility. The closing of the amendment is subject to the close of the prospectus financing and is therefore not yet effective. As at December 31, 2023 the Company was not in compliance with the minimum repayment requirements under the Choco Facility.

Considering the short-term nature of this debt, management has determined that the fair value of the debt approximates its book value on December 31, 2023.

Revolving Credit Facility

On December 13, 2022, the Company entered into a revolving credit facility agreement of \$12,000,000 to be advanced in stages based on eligible customer purchase orders (the "**Revolving Credit Facility**"). The contract has an interest rate of 1.0% of all outstanding amounts per month. The closing fee was \$10,000 and servicing fees are \$1,000 per month. The Revolving Credit Facility has an initial term of two (2) years and is advanceable in either USD or CAD.

On October 12, 2023, CEBI entered into definitive agreements with the Revolving Credit Facility holders to settle \$3,580,793 of principal and \$288,178 of accrued interest with the issuance of 19,344,855 common shares at a price of \$0.20. The outstanding principal balance of the Revolving Credit Facility at December 31, 2023 was \$1,524,174 (CAD\$1,267,688 and US\$193,575).

Considering the short term nature of this debt, management has determined that the fair value of the debt approximates its book value as on December 31, 2023.

Founders' notes

The Founder's notes were originally received in three tranches during the fiscal years 2021 and 2022, the details of which can be found in the table below:

Issue date	Tranche	Principal \$	Interest
August 31, 2020	Tranche 1	187,500	4.5% per annum
October 26, 2020	Tranche 1	663,284	4.5% per annum
November 23, 2020	Tranche 1	24,000	4.5% per annum
December 30, 2020	Tranche 2	300,000	4.5% per annum
March 9, 2020	Tranche 3	425,486	4.5% per annum
Total		1,600,270	

The Founders' notes of tranche 1, with a principal value of \$874,784 have matured. Out of the total amount, \$480,935 was extended for a further two (2) years, while the remaining amount of \$393,849 was neither extended nor repaid. The extended tranche 1 notes were measured at fair value at the date of renewal resulting in a credit to equity of \$216,195.

The tranche 2 Founders' notes, with a principal value of \$300,000, have matured. Out of the total amount, \$132,868 was extended for a further two (2) years, while the remaining amount of \$167,131 was neither extended nor repaid. The extended tranche 2 notes were measured at fair value at the date of renewal resulting in a credit to equity of \$60,924.

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

The Founders' notes bore interest at a rate of 4.5%. Tranche 1 and Tranche 2 were convertible at a fixed conversion price of \$37.50. The Founders' notes were issued by EBN and on June 27, 2023, were no longer a liability of CEBI as a result of bankruptcy and deconsolidated.

CASH FLOWS

	December 31, 2023	December 31, 2022
Cash flow from (used) in:		
Operating activities	(3,011,076)	(6,025,094)
Investing activities	(164,275)	-
Financing activities	2,610,439	5,786,841
Effect of change in foreign exchange rates on cash	(3,997)	17,876
Net increase (decrease) in cash	(568,909)	(220,377)
Cash, beginning of period	576,007	715,796
Cash, end of period	7,098	495,419

Operating Activities

During the nine months ended December 31, 2023, the cash used in operating activities was approximately \$3.01 million, compared to approximately \$6.03 million during the nine months ended December 31, 2022. The change in cash flow used in operating activities with respect to the comparative period was primarily due to reduced spending and favorable changes in working capital, specifically the conversion of inventory and accounts receivable into cash.

Investing Activities

During the nine months ended December 31, 2023, the cash used in investing activities was approximately \$0.16 million which relates to cash balance of EBN deconsolidated due to bankruptcy.

Financing Activities

During the nine months ended December 31, 2023, cash inflow from financing activities was approximately \$2.61 million, compared to approximately \$5.79 million for the nine months ended December 31, 2022. A lower cash burn rate for the third quarter 2024, as the Company restructured its business, reduced financing activities. During this period the business operated with a lower working capital balance and reduced operating costs as compared to the prior period. The proceeds received were drawn from the Revolving Credit Facility.

COMMITMENTS

As at December 31, 2023, future minimum payments committed under non-cancellable agreements were as follows:

	Less Than 1 Year \$	1-3 Years \$	Total \$
Committed purchase orders	580,872	-	580,872
As at December 31, 2023	580,872	-	580,872

OUTSTANDING SHARE DATA

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

	As at December 31, 2023	As at February 14, 2024
Common shares	44,726,503	44,726,503
Warrants	259,563 warrants to purchase one Common Share each	259,563 warrants to purchase one Common Share each
Options	44,350 options to purchase one Common Share each	44,350 options to purchase one Common Share each

OFF BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

On December 31, 2023, Accounts payable and accrued liabilities included \$261,738 of amounts owed to directors and officers of the Company (March 31, 2023 - \$91,591).

In addition, the Debenture notes, Loan Facility and Revolving Credit Facility each constitutes a related party transaction for the purposes of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“**MI 61-101**”), as each transaction involves the Company borrowing money from an entity (the “**Vesta Fund**”), over which Vesta Wealth Partners Ltd., a “related party” of the Company within the meaning of MI 61-101 of the company, exercises certain discretionary control.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company classifies all financial instruments as financial assets or financial liabilities at fair value through profit and loss or at amortized cost (“**Amortized Cost**”). The Company has classified Cash, Accounts receivable and Prepaid expense and deposits as financial assets carried at Amortized Cost. The Company has classified Accounts payable and accrued liabilities, Due to related parties, and Long-term Debt 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 maximum exposure to credit risk is as follows:

	December 31, 2023	March 31, 2023
Cash	7,098	576,007
Accounts receivable	233,151	417,953
Total	240,249	993,960

There is credit risk with respect to accounts receivables, as the Company has a small number of customers, internationally dispersed. The Company has policies in place to monitor this credit risk and based on the history of collections with these customers, the Company does not consider this risk to be significant. As at December 31, 2023 two customers formed 100% of the accounts receivable balance of the company.

Liquidity risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements: (a) the Company will not have sufficient funds to settle a transaction on the due date; (b) the Company will be forced to sell financial assets at a value which is less than the fair value; or, (c) the Company may be unable to settle or recover a financial asset at all. As discussed in the Basis of presentation – Going concern note above, certain debt obligations of the Company have been classified as current on the statement of financial position. The Company will require additional funding to reduce its exposure to liquidity risk (Note 2 of the Q3 FY24 Financial Statements).

The Company is currently looking for financing options to meet its maturing profile of liabilities. The Company closely monitors its cash and manages liquidity risk by reducing spending, and raising funds as required via equity or debt financing. It cannot be said with certainty whether the Company would be able to manage its liquidity requirements successfully in the near future.

The following table outlines the maturities of the Company's liabilities:

	Less than 1 year	1-3 years	Total
Accounts payable and accrued liabilities	1,129,581	-	1,129,581
Interest payable on outstanding debt	204,225	-	204,225
Long-term debt ⁽¹⁾	8,236,598	-	8,236,598
As at December 31, 2023	9,570,404	-	9,570,404

(1) The undiscounted contractual amount of long-term debt.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates, will affect the fair 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 a market risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not hold any variable rate debt but may be exposed to interest rate risk on the long-term debt when such debt is renewed or renegotiated. A 1% change in the interest rate would have a \$60,806 impact on the net income and accumulated deficit of the Company for the nine months ended December 31, 2023 (December 31, 2022 - \$90,860).

Foreign exchange risk

The Company conducts certain transactions denominated in currencies other than Canadian dollars which is the presentation currency of the Company. Foreign currency transactions are exposed to currency risk due to fluctuations in 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. An aggregate of 1% increase in the exchange rates would have a \$83,794 impact on the comprehensive loss and accumulated deficit of the Company for the nine months ended December 31, 2023 (December 31, 2022 - \$49,818).

SUBSEQUENT EVENTS

Prospectus offering

On November 20, 2023 the Company filed a Preliminary Prospectus with the securities regulatory authorities in Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Prince Edward Island, and Saskatchewan, in connection with a public offering (the "Offering") of common shares in the capital of CEBI (the "Shares").

The Offering is subject to a number of conditions, including, without limitation, receipt of all regulatory approvals, including approval of the TSX-V. The Company's agent has been engaged to sell the Shares on a best efforts basis and there can be no assurance that the minimum gross proceeds will be raised.

On January 17, 2024, the Company announced that, in connection with the Offering, Integral Wealth Securities Limited has agreed to use commercially reasonable efforts to market the Offering and to sell 20,000,000 to 25,000,000 common shares in the capital of the Company at a price of \$0.20 (post-consolidation common share) for aggregate proceeds of no less than \$4,000,000 and up to \$5,000,000.

Debenture note amendments

On January 29, 2024, the Company executed definitive amendment agreements with the Debenture note holders to (i) extend the maturity date of the Debenture notes from April 30, 2024 to October 1, 2025, (ii) waive any pre-existing rights associated with a contractual breach in relation to the bankruptcy of eBuyNow eCommerce Ltd., (iii) waive any pre-existing rights associated to a contractual breach in relation to any event prior to the date the definitive amending and waiver agreements, including any failure to pay interest or principal during such period, and (iv) amend the interest payment frequency to quarterly payments commencing on April 1, 2024.

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:

- **Requirement for Additional Financing:** Upon completion of the Offering and the bankruptcy process, the Company may 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 requirements of the Company 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 financial condition, results of operations, or prospects of the Company. These conditions create a material uncertainty which may cast significant doubt on the ability of the Company to continue as a going concern.
- **COVID-19:** On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. The operations of the Company have been negatively impacted by the regional and global outbreak of COVID-19, and the continued length of time of this impact is unknown. Any quarantines, supply chain and labor shortages or other disruptions to the operations of the Company, or those of its customers, could adversely impact the business, operations, and financial condition of the Company.

As conditions surrounding the pandemic continue to evolve, the Company may in the future experience unexpected negative impacts from the COVID-19 pandemic. Such impacts could include, with respect to its operations, its suppliers’ operations and its customers’ operations, forced closures, mandated social distancing, isolation, quarantines, impacts of declared states of emergency, public health emergency and similar declarations and could include other increased government regulations, a material reduction in demand for the products of the Company, reduced sales, higher costs for new capital, licensing delays, increased operating expenses, delayed performance of contractual obligations, product shipping delays, and potential supply and staff shortages, all of which would be expected to negatively impact the business, financial condition and results of operations of the Company and its ability to satisfy its obligations. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in the facilities of the Company or a supplier. Should an employee or visitor in any of the facilities of the Company or the facilities of a supplier become infected with a serious illness that has the potential to spread rapidly, this could place the workforce of the Company at risk.

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

- **Additional financing needs:** The Company will require additional funds to continue operations. The Company has limited financial resources, and there is no assurance that additional funding will be available to the Company to carry out the completion of all proposed activities. Although the Company has been successful in the past in obtaining financing through the sale of equity and debt securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or

that the terms of such financing will be favorable if available at all or, if available, that any such financing will be on acceptable terms. Failure to obtain such additional financing could result in the curtailment of operations, liquidation of assets, seeking additional capital on less favorable terms, the Company having to file for bankruptcy, or undertaking remedial measures such as a restructuring or insolvency proceeding. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern. Failure by the Company to raise additional financing could materially adversely affect the business, operations, and financial condition and prospects of the Company. 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 lenders of the Company 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 subsidiaries of the Company, any of which would have a material adverse impact on the business and financial condition of the Company.
- **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, including the possibility of a recession, may result in reduced consumer and government spending and may have an impact on the financial results of the Company.
- **History of operating losses:** The Company had an accumulated deficit through December 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. 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.
- **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 in China but at times may use factories in Vietnam, Taiwan, or Malaysia, and 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 control of the Company. 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 liquidity of the Company.
- **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 the results of operations and subsequent financial condition of the Company. The COVID-19 pandemic has had far-reaching impacts on the manufacturing and production of consumer electronics in Asia. Further, increased U.S. and China tensions over Taiwan could materially impact the ability of the Company to manufacture products in China or Taiwan or rely on OEM's located in China or Taiwan for supply chain components. For the Company, 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 revenues, ability to provide products and services, and operating results of the Company.

- **International sales:** There can be no assurances that the Company will be able to grow its international business in markets such as Asia, South America, and Eastern Europe. Demand for international sales in Asia, South America, and Eastern Europe 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 business and growth strategy of the Company will enable the Company to be profitable. The future operating results of the Company 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 business, operations, and financial condition of the Company.
- **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 business, operations, and financial condition of the Company.
- **Sales and marketing expenditures:** The future growth and profitability of the Company will be dependent in part on the effectiveness and efficiency of the sales and marketing expenditures of the Company. There can be no assurance that the Company will experience benefits from sales and marketing expenditure in the future. In addition, no assurance can be given that the planned sales and marketing expenditures of the Company 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 technological 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 or standards, or both, 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. There can be no assurances that the Company will continue to develop products and services incorporating advanced technologies and there can be no assurances that the products and services that the Company develops will experience market success considering changing consumer expectations and future market demand. The development and application of new technologies involves 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 ability of the Company 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 directors, officers, and employees. The failure to retain key directors, officers, and employees and to attract and retain additional key employees with the necessary skills could have a material adverse impact upon the growth and profitability of the Company. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the departure of any of its directors or executive officers could have a material adverse effect on the business, operations, and financial condition of the Company.
- **IP rights:** The commercial success of the Company 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. There can be no assurances that the Company will be able to seek patents for concepts, components, protocols, and other inventions that the Company considers having commercial value and there can be no assurances that such patents will give the Company a technological advantage. The Company may not be able to devote significant resources necessary to protect its proprietary technology and the Company may not be able to develop technology that is patentable, patents may not be issued, and the patented 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 business of the Company and damage its reputation. Security breaches impacting the products of the Company 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 relationships of the Company 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 network of the Company, its customers' networks, or other networks, whether or not any such breach is due to a vulnerability in the products of the Company, 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 one or more of the security of the network, electronic systems, and physical facilities of the Company 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 multinational 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 competitors of the Company 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 competitors of the Company 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 us 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 business, operations, or financial condition of the Company.
- **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 it to significant operational risks, many of which would impair its ability to deliver products to its customers should they occur. Each of the contract manufacturers of the Company supplies a higher volume of products to the larger competitors of the Company. 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 manufacturing needs of the Company in a satisfactory and timely manner or that it can obtain additional or alternative manufacturers when and if needed. The availability of the contract manufacturers of the Company and the amount and timing of resources to be devoted by them to the Company is not within the control of the Company, and the Company cannot provide assurances that it will not encounter manufacturing problems that would materially harm its business. Furthermore, the arrangements of the Company 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 one or more litigation, mediation, and arbitration from time to time in the ordinary course of business which could adversely affect its business. Many aspects of the business of the Company 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 reputation of the Company 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 proceedings 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 businesses that the Company acquires or to successfully operate new businesses. Therefore, the Company may be unable to profitably operate an expanded business. Additionally, any new business 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 its current products or develop new products at competitive prices or in a timely manner. The development and application of new technologies involves 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.
- **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 and arises principally from the receivables of the Company from customers. The exposure of the Company to credit risk is influenced by the individual characteristics of each customer. Although the Company establishes an allowance for doubtful accounts that represents its estimate of potential credit losses in respect of accounts receivables and historically has not experienced any significant losses related to individual customers or groups of customers in any particular geographical area, there is no assurance that the allowance for doubtful accounts will be sufficient to cover credit losses in the future which could result in an adverse material change to the Company .
- **Foreign operations:** The Company relies on international sales of its products in Asia 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 is 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 for 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. Also, control and monitoring of marketing activities of the sales agents of the Company in other jurisdictions. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems, and to successfully implement the continued expansion, training, and management of its employee base. The Company intends to expand its employee base. This expansion may require the Company to commit financial, operational, and technical resources in advance of an increase in the size of the business, with no assurance that the volume of business will increase or that such initiatives to improve and upgrade its systems and infrastructure will be successful. The inability to deal with this growth or any failure in these initiatives could result in an adverse material change to the Company.
- **Forecasts and Models:** The Company relies upon forecasts and models because the approach to customer forecasts requires data-intensive modeling used in conjunction with certain assumptions when independently verifiable information is not available. Should underlying assumptions prove incorrect or an embedded modeling error go undetected, it could result in incorrect estimates and thereby have a material adverse impact on the business, operations, and financial condition of the Company.
- **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 assets and liabilities of the Company 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 auditor of the Company or regulators subsequently interpret the application of accounting rules by the Company differently, subsequent adjustments could have a material adverse effect on the operations of the Company 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 business, operations, and financial condition of the Company.
- **Internal controls:** Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, recorded and reported and assets are safeguarded against unauthorized or improper use. A control system, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation could harm the operations of the Company or cause the Company to fail to meet its reporting obligations and may result in a restatement

of its financial statements for prior periods. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in the financial statements and other information of the Company, which would likely have a negative effect on the trading price of the Common Shares.

- **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.
- **Negative Operating Cash Flow:** The Company had negative operating cash flow in its most recent financial year. The Company's ability to generate positive operating cash flow will depend on the Company's ability to deliver new products to market. To the extent the Company has negative cash flows in future periods, the Company may use a portion of its general working capital or seek additional equity financing to fund such negative cash flows. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favorable to the Company as those previously obtained, or at all.
- **Conditions to the Offering may not be Satisfied:** The closing of the Offering is subject to the satisfaction of certain closing conditions. There can be no assurance that such conditions will be met.
- **Global data privacy laws:** The Company's ability to identify market trends depends on internal market research technology which could become subject to global data privacy laws. While the Company takes steps to ensure strict compliance with these legal requirements, changes to the applicability of such laws may impact the Company's ability to effectively conduct an integral aspect of its operations.
- **Changes to availability of transportation:** The Company depends on distribution agreements with third-party partners, both domestically and internationally, to transport raw materials and consumer ready products. Any increase in the cost of the transportation of the Company's raw materials or products, as a result of increases in fuel or labour costs, higher demand for logistics services, consolidation in the transportation industry or otherwise, may adversely affect the Company's financial performance as the Company may not be able to pass such cost increases on to its customers. In addition, the failure of a third-party transportation provider or distributor could harm the Company's reputation, negatively affect the Company's customer relationships and have a material adverse effect on the Company's financial position and financial performance.
- **Third-party insolvency risks:** The Company is party to numerous business relationships, transactions and contracts with various third parties, pursuant to which such third parties have performance, payment or other obligations to the Company. If any of these third parties were to become subject to bankruptcy, receivership or similar proceedings, the Company's rights and benefits in relation to the Company's relationships, transactions and contracts with such third parties could be terminated, modified in a manner adverse to the Company, or otherwise impaired. The Company cannot make any assurance that it would be able to arrange for alternate or replacement relationships, transactions and contracts, if at all. Any inability on the Company's part to do so could have a material adverse effect on the Company's business and financial performance.
- **Foreign Exchange:** As the Company continues to expand its international sales and foreign operations, the Company becomes more exposed to the effects of fluctuations in currency exchange rates.
- **Conflicts of Interest:** Certain of the directors and officers of the Company are, or may become, directors and officers of other companies, and conflicts of interest may arise between their duties as directors and officers of the Company and as directors and officers of such other companies.

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 has 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 implementing plans to remediate the material weakness described above. The remediation activities include:

- 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 judgment in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgment 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 are available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.cebrands.ca.