*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by Persons permitted to sell such securities. The securities offered under this prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws. Accordingly, the securities offered hereby may not be offered or sold in the United States or to U.S. persons (as such terms are defined in Regulation S under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Information about the Offering – Plan of Distribution".*

# PROSPECTUS

**New Issue** **June 3, 2021**

BRANDS

# CE BRANDS INC.

**$15,000,000**
**(3,614,458 Subscription Receipts each representing the right to receive one Unit)**

**Over-Allotment Option: Up to $2,250,000**
**(Up to 542,168 Subscription Receipts each representing the right to receive one Unit)**

**Offering Price: $4.15 per Subscription Receipt**

CE Brands Inc. (the "**Corporation**"), a capital pool company pursuant to Policy 2.4 – *Capital Pool Companies* ("**Policy 2.4**") of TSX Venture Exchange Inc. (the "**TSXV**"), is filing this prospectus to enable it to complete a business combination with eBuyNow eCommerce Ltd. ("**EBN**"), a data-driven consumer-electronics company. The Corporation intends the business combination to constitute its Qualifying Transaction within the meaning of Policy 2.4 (the "**Proposed Qualifying Transaction**"). References to the "**Resulting Issuer**" mean the Corporation after the completion of the Proposed Qualifying Transaction.

The Corporation hereby offers for sale in all of provinces of Canada, except Québec (the "**Offering**"), a minimum of 3,614,458 unit subscription receipts of the Corporation (the "**Subscription Receipts**"), at a price of $4.15 per Subscription Receipt (the "**Offering Price**"), for gross proceeds of $15,000,000. The Subscription Receipts are being offered for sale on a "commercially-reasonable efforts" basis pursuant to an Agency Agreement dated June 3, 2021 (the "**Agency Agreement**"), between the Corporation, EBN, and Integral Wealth Securities Limited and Echelon Wealth Partners Inc. as co-lead agents and joint bookrunners (the "**Co-Lead Agents**"), together with Research Capital Corporation (collectively with the Co-Lead Agents, the "**Agents**"). The Corporation has granted the Agents an option to offer up to an additional 542,168 Subscription Receipts at $4.15 per Subscription Receipt, solely to cover over-allotments, if any (the "**Over-Allotment Option**"), by giving written notice of the exercise of the Over-Allotment Option, or any part of the Over-Allotment Option, to the Corporation at any time up to 30 days from the closing date of the Offering (the "**Offering Closing Date**"). The Corporation and the Co-Lead Agents (on behalf of the Agents) determined the Offering Price via arm's length negotiation. See *"Information about*

*the Offering – Description of the Securities Distributed"* and *"Information about the Offering – Plan of Distribution"*.

The Corporation is issuing the Subscription Receipts pursuant to the terms of a Subscription Receipt Agreement dated as of the Offering Closing Date (the "**Subscription Receipt Agreement**"), between the Corporation, EBN, the Co-Lead Agents (on behalf of the Agents), and Odyssey Trust Company (the "**Subscription Receipt Agent**"). Each Subscription Receipt entitles the holder of the Subscription Receipt to receive, without payment of additional consideration and without any further action, one unit of the Resulting Issuer (a "**Unit**") upon the satisfaction of the escrow release conditions more particularly described below (the "**Escrow Release Conditions**"). Each Unit consists of one common share of the Resulting Issuer (a "**Resulting Issuer Share**") and one common share purchase warrant of the Resulting Issuer (a "**Resulting Issuer Warrant**"). Each such Resulting Issuer Warrant entitles the holder to purchase one additional Resulting Issuer Share, for a purchase of price of $7.50 per Resulting Issuer Share, for a period of 24 months following the date on which the Resulting Issuer Warrant was issued. The Resulting Issuer Warrants will be created and issued pursuant to the terms of a warrant indenture to be dated as of the Offering Closing Date, between the Corporation and Odyssey Trust Company.

The Escrow Release Conditions are: (a) except as consented to in writing by the Co-Lead Agents (on behalf of the Agents), no material provision of the Amended and Restated Amalgamation Agreement (as defined in this prospectus) has been amended by the parties thereto; (b) that the Proposed Qualifying Transaction has closed and the Resulting Issuer has delivered a notice to the Co-Lead Agents (on behalf of the Agents) confirming that the Proposed Qualifying Transaction has closed; (c) that all of the conditions contained in the Agency Agreement have been satisfied (or waived with the prior written approval of the Co-Lead Agents (on behalf of the Agents)); and (d) that the Resulting Issuer and the Co-Lead Agents (on behalf of the Agents) have delivered an irrevocable direction to the Subscription Receipt Agent confirming that the conditions stated in the Subscription Receipt Agreement have been satisfied (or waived with the prior written approval of the Subscription Receipt Agent). See *"Information about the Offering – Description of the Securities Distributed"* and *"Information about the Offering – Plan of Distribution"*.

The Subscription Receipt Agent will hold in escrow the net proceeds of the Offering, after deducting the expenses of the Agents up to the Offering Closing Date and 50% of the Agents' Commission (the "**Escrowed Funds**"), pending the satisfaction of the Escrow Release Conditions. Upon the satisfaction of the Escrow Release Conditions, the Subscription Receipt Agent will release the Escrowed Funds and the interest accrued on the Escrowed Funds, less the balance of the Agents' remuneration and any additional expenses of the Agents to the Corporation, and the Corporation will automatically exchange each Subscription Receipt for one Unit. If: (a) the Escrow Release Conditions are not satisfied within 90 days after the issuance of the final receipt for this prospectus (or any amendment to this prospectus, as applicable), or (b) the Corporation or EBN delivers a notice to the Agents and the Subscription Receipt Agent declaring that the Amended and Restated Amalgamation Agreement has been terminated or that it will not be proceeding with the Proposed Qualifying Transaction (in any case, a "**Termination Event**"); then the Subscription Receipt Agent will return to each holder of Subscription Receipts an amount equal to the purchase price paid for the Subscription Receipts and the *pro rata* entitlement of the holder to interest earned on such amount (less applicable withholding tax, if any), and EBN will pay any shortfall relating to such amount. See *"Information about the Offering – Description of the Securities Distributed"* and *"Information about the Offering – Plan of Distribution"*.

The Proposed Qualifying Transaction involves three main steps. First, the Corporation will consolidate its common shares (the "**Shares**") on a 20.75-for-one basis and EBN will consolidate its class "A" common voting shares (the "**EBN Shares**") on a five-for-one basis. Second, a wholly-owned subsidiary of the Corporation and EBN will amalgamate and continue as one corporation, namely, the Resulting Issuer. Pursuant to the amalgamation, the holders of EBN Shares will exchange those EBN Shares for Resulting Issuer Shares on a one-for-one basis. Third, the holders of options to purchase EBN Shares will exchange those options for options to purchase Resulting Issuer Shares on a one-for-one basis, the holders of warrants to purchase EBN Shares will exchange those warrants for warrants to purchase Resulting Issuer Shares on a one-for-one basis, and the holders of a portion of the notes that are convertible into EBN Shares will exchange those notes for notes that are convertible into Resulting Issuer Shares on a one-for-one basis. See "*Information about the Proposed Qualifying Transaction"*.

The TSXV must approve the Proposed Qualifying Transaction and Offering. The Corporation is filing this prospectus with the TSXV in lieu of a filing statement, which is the disclosure document that the TSXV usually requires a CPC to file in connection with a Qualifying Transaction. Policy 2.4 provides that, when the Qualifying Transaction of a CPC that is a reporting issuer in Ontario involves the acquisition of business not located in Canada or the United States, then the Qualifying Transaction must be undertaken using a prospectus as the disclosure document. Neither the TSXV nor any securities regulatory

authority has in any way passed upon the merits of the Proposed Qualifying Transaction or Offering. See *"Information about the Proposed Qualifying Transaction – Stock Exchange Approval"* and *"Information about the Offering – Plan of Distribution"*.

The TSXV has granted conditional approval to list on the TSXV the Resulting Issuer Shares issuable pursuant to the Subscription Receipts sold under the Offering (including the Resulting Issuer Shares issuable pursuant to the Subscription Receipts sold under the Over-Allotment Option), the Resulting Issuer Shares issuable on exercise of the Resulting Issuer Warrants that are issuable pursuant to the Subscription Receipts sold under the Offering (including Resulting Issuer Warrants that are issuable pursuant to the Subscription Receipts sold under the Over-Allotment Option), the Resulting Issuer Shares issuable upon exercise of the Agents' Options (including the Agent's Options issued pursuant to the Over-Allotment Option). The listing will be subject to the satisfaction of all the requirements of the TSXV. On June 17, 2019, the Corporation and EBN executed a non-binding letter of intent in respect of the (the "**Letter of Intent**"), and on June 18, 2019, the TSXV halted trading of the Shares pending the dissemination of the press release announcing the execution of the Letter of Intent. On June 11, 2019, the last day the Shares traded before the trading halt, the closing price of the Shares was $0.245 per Share. See *"Information about the Offering – Plan of Distribution"*.

**$4.15 per Subscription Receipt**

| | Price to Public | | Agents' Commission[1] | | Minimum Net Proceeds to the Corporation[2] | |
|---|---|---|---|---|---|---|
| | Assuming Offering | Assuming Offering and Over-Allotment Option | Assuming Offering | Assuming Offering and Over-Allotment Option | Assuming Offering | Assuming Offering and Over-Allotment Option |
| Per Subscription Receipt: | $4.15 | $4.15 | $0.332 | $0.332 | $3.818 | $3.818 |
| Total: | $15,000,000 | $17,250,000 | $1,200,000 | $1,380,000 | $13,800,000 | $15,870,000 |

Notes:

(1) Pursuant to the terms of the Agency Agreement, the Agents will receive a cash commission of 8% of the gross proceeds of the Offering, including the Over-Allotment Option (the "**Agents' Commission**"). As additional compensation, upon satisfaction of the Escrow Release Conditions, the Corporation will grant to the Agents irrevocable and non-transferable options (the "**Agents' Options**") entitling the Agents to purchase that number of Resulting Issuer Shares equal to 8% of the aggregate number of Subscription Receipts sold pursuant to the Offering, including the Over-Allotment Option. The Agents' Options will be exercisable at a price of $4.15 per Resulting Issuer Share, for a period of 12 months following the satisfaction of the Escrow Release Conditions. A Purchaser that acquires Subscription Receipts forming part of the Agents' over-allocation position acquires those Subscription Receipts under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the over-allotment option or secondary market purchases. See "*Information about the Offering – Plan of Distribution*".

(2) Before deducting the expenses of the Offering, estimated to be $750,000, which will be paid from the proceeds of the Offering. See *"Information about the Resulting Issuer – Use of Proceeds"*.

(3) The Corporation has appointed the Agents to hold in trust all proceeds received from the sale of Subscription Receipts until it has reached the Minimum Offering, which is equal to the full Offering Amount. If the Corporation fails to reach the Offering within 90 days after the date of the receipt of the Alberta Securities Commission for this prospectus, the Agents will return the proceeds from the sale of Subscription Receipts, without any deductions, to subscribers.

The following table discloses the number of securities that may be issued by the Corporation to the Agents pursuant to the Offering:

| Agents' Position | Maximum Size or Number of Securities Available | Exercise Period | Exercise Price |
|---|---|---|---|
| Agents' Options –Offering | 289,157 Resulting Issuer Shares | 12 months | $4.15 |
| Agents' Options – Over-Allotment Option | 43,373 Resulting Issuer Shares | 12 months | $4.15 |
| Over-Allotment Option | 542,168 Subscription Receipts | 30 days | $4.15 |

This prospectus qualifies the distribution of: (a) the Subscription Receipts (including Subscription Receipts issuable pursuant to the Over-Allotment Option); (b) the Units (including Units issuable pursuant to the Over-Allotment Option); (c) the Resulting Issuer Shares and the Resulting Issuer Warrants comprising the Units (including Resulting Issuer Shares and Resulting Issuer Warrants issuable pursuant to the Over-Allotment Option); (d) the Over-Allotment Option; and (e) the Agents' Options.

Prospective Purchasers are advised to consult their own legal counsel and other professional advisers in order to assess income tax, legal and other aspects of this investment based upon their personal circumstances.

No person has been authorized to give any information other than that contained in this prospectus, or to make any representations in connection with the Offering made hereby, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Corporation. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy securities in any jurisdiction or to any Person to which it is unlawful to make such offer or solicitation in such jurisdiction.

The Agents, as exclusive agents of the Corporation for the purposes of the Offering, hereby offer the Subscription Receipts for sale on a commercially-reasonable efforts basis in accordance with the terms of the Agency Agreement, and subject to the approval by Nerland Lindsey LLP, on behalf of the Corporation and by DLA Piper (Canada) LLP, on behalf of the Agents, on such legal matters for which approval is specifically sought by the Corporation or the Agents. See *"Information about the Offering – Plan of Distribution"*.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Subscription Receipts will be issued in registered form to CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee and deposited with CDS on the Offering Closing Date. Each Purchaser, including a Purchaser of Subscription Receipts in the United States or purchasing for the account or benefit of, a U.S. Person that is a "qualified institutional buyer" as defined in Rule 144A of the U.S. Securities Act (a "**Qualified Institutional Buyer**"), acquiring a Subscription Receipt will receive a customer confirmation of purchase from the Agent from whom the beneficial interest is purchased in accordance with the practices and procedures of the Agent. Notwithstanding the foregoing, a Purchaser of Subscription Receipts in the United States or purchasing for the account or benefit of, U.S. Person that is an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the U.S. Securities Act ("**Accredited Investor**") will receive definitive physical certificates representing the Subscription Receipts, and upon satisfaction or waiver of the Escrow Release Conditions, Resulting Issuer Shares and Resulting Issuer Warrants. See *"Information about the Offering – Plan of Distribution"*.

The Offering Closing Date is expected to take place on or about June 11, 2021, or such other date as the Corporation and the Agents may agree.

Subject to applicable laws and in connection with the Offering, the Agents may effect transactions that maintain the market price of the Subscription Receipts at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See *"Information about the Offering – Plan of Distribution"*.

**INVESTMENT IN THE SUBSCRIPTION RECEIPTS SHOULD BE REGARDED AS HIGHLY SPECULATIVE DUE TO THE PROPOSED NATURE OF THE BUSINESS OF THE RESULTING ISSUER AND ITS PRESENT STAGE OF DEVELOPMENT. EBN HAS NEITHER A**

**HISTORY OF EARNINGS NOR HAS IT PAID ANY DIVIDENDS AND IT IS UNLIKELY TO PAY DIVIDENDS IN THE IMMEDIATE OR FORESEEABLE FUTURE.**

**THERE IS NO MARKET THROUGH WHICH THE SUBSCRIPTION RECEIPTS MAY BE SOLD AND PURCHASERS MAY NOT BE ABLE TO RESELL SUBSCRIPTION RECEIPTS PURCHASED UNDER THIS PROSPECTUS. THIS MAY AFFECT THE PRICING OF THE SUBSCRIPTON RECEIPTS IN THE SECONDARY MARKET, THE TRANSPARENCY AND AVAILABILITY OF TRADING PRICES, THE LIQUIDITY OF THE SUBSCRIPTION RECEIPTS, AND THE EXTENT OF ISSUER REGULATION. SEE *"INFORMATION ABOUT THE OFFERING – RISK FACTORS"*.**

**There is no assurance that the Corporation will successfully complete the Proposed Qualifying Transaction, or even if it does, that the business it acquires from EBN will be profitable. Moreover, additional funds may be required to successfully implement the business plan of the Resulting Issuer and the Resulting Issuer may not be able to obtain such financing. If any additional funds are raised through the issuance of Resulting Issuer Shares or securities that are convertible into or exchangeable for Resulting Issuer Shares, control of the Resulting Issuer may change and Purchasers may suffer dilution.**

**If the Corporation completes the Proposed Qualifying Transaction, the Resulting Issuer will be subject to a number of risks relating to its business. AS A RESULT OF THESE RISK FACTORS, AN INVESTMENT IN THE SUBSCRIPTION RECEIPTS IS SUITABLE ONLY TO THOSE PURCHASERS THAT CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. SEE *"INFORMATION ABOUT THE OFFERING – RISK FACTORS"*.**

**Purchasers should rely only on the information contained in this prospectus. The Corporation has not authorized anyone to provide Purchasers with different information. The Corporation in not offering the Subscription Receipts in any jurisdiction in which the Offering is not permitted. Purchasers should not assume that the information contained in this prospectus is accurate as of any date other than the date of this prospectus.**

All dollar amounts in this prospectus are expressed in Canadian dollars unless otherwise indicated.

**TABLE OF CONTENTS**

## ENFORCEMENT OF JUDGMENTS

Craig Simon Smith and Wong Wing Kiong are proposed Resulting Issuer Directors and reside outside of Canada. They have appointed Nerland Lindsey LLP, of 1400, 350 – 7th Avenue S.W., Calgary, AB T2P 3N9, as their agent for service of process.

Purchasers of the Subscription Receipts are advised that it may not be possible for them to enforce judgments obtained in Canada against any individual who resides outside of Canada, even if the individual has appointed an agent for service of process.

## FORWARD-LOOKING INFORMATION

This prospectus contains forward-looking information within the meaning of Securities Laws. In general, forward-looking information refers to disclosure about future conditions and events and includes information that is presented as a forecast or projection. More particularly and without limitation, this prospectus contains forward looking information concerning:

- the proposed terms of the Offering;
- the proposed terms of the Consolidation;
- the proposed terms of the EBN Consolidation;
- the proposed terms of the Amalgamation;
- the proposed terms of the Option, Warrant and Note Exchange;
- the anticipated results of the Offering;
- the anticipated results of the Consolidation;
- the anticipated results of the EBN Consolidation;
- the anticipated results of the Amalgamation;
- the anticipated results of the Option, Warrant and Note Exchange;
- the Resulting Issuer, including:
    - its corporate structure;
    - its business;
    - its authorized share capital;
    - the payment of dividends or distributions;
    - its consolidated capitalization;
    - securities subject to escrow and contractual restriction on transfer;
    - its principal securityholders;
    - the Resulting Issuer Directors and Resulting Issuer Officers;
    - executive compensation;
    - indebtedness of the Resulting Issuer Directors and Resulting Issuer Officers;
    - corporate governance;
    - interests of management and others in material transactions;
    - its registrar and transfer agent;
    - its material contracts;
    - the growth strategy and potential growth of the Resulting Issuer;
    - the expansion of products and product categories of the Resulting Issuer and the development of new sub-categories, including products set forth in the products roadmap of the Resulting Issuer;
    - the potential for incremental revenue streams for the Resulting Issuer, including as a result of product expansion and development;
    - the corresponding increase in value of the Shares on the Consolidation and the EBN Shares on the EBN Consolidation; and
    - the business objectives and milestones of the Resulting Issuer;
- matters relating to the use of the net proceeds of the Offering, including:
    - the principal uses of the net proceeds;
    - the portion of the net proceeds that the Resulting Issuer intends to use to satisfy its debt obligations:
    - other potential sources of funding;
    - the estimated sources of funds of the Resulting Issuer for the next twelve months, including anticipated revenues for the next 12 months;
    - the estimated uses of funds of the Resulting Issuer for the next twelve months;

- products that are intended to be available for sale in market within the next twelve months;
- the number of products that the Resulting issuer expects to sell in the next 12 months;
- accounts receivable balances during the next 12 months;
- accounts payable during the next 12 months;
- inventory balances during the next 12 months; and
- average sales prices for products.

The forward-looking information in this prospectus is based on certain key assumptions and expectations made by the Corporation and EBN, including, but not limited to, assumptions in connection with the ability of the Resulting Issuer to successfully compete against global and regional brands; business and economic conditions; foreign exchange rates, raw good prices, competition between sales channels; marketing and sales activity; the continued availability of financing on appropriate terms for future product development and inventory; ability to effectively launch new products to market in a timely manner; market competition; research and development activities; the successful acceptance of new products by distributors and sales channels; the continued effective use of ProductLoop; the impact on the Resulting issuer and its customers of various international regulations; ability to retain key employees; and the ability to retain and continue to build relationships with contract manufacturers. A detailed set of assumptions relating, in particular, to the number of products that the Resulting issuer expects to sell in the next 12 months are set out under the heading *"Information about the Offering – Use of Proceeds – Financial Condition and Sufficiency of Proceeds"*.

Although the Corporation and EBN believe that the expectations and assumptions on which the forward-looking information in this prospectus is based are reasonable, Purchasers should not place undue reliance on the forward-looking information because neither the Corporation nor EBN can 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 to differ materially from the expectations stated in this prospectus. These material risks are disclosed under the heading "Risk Factors", and include the following:

- The Resulting Issuer will have limited financial resources, but substantial capital requirements.
- The Resulting Issuer has a history of negative cash flow.
- The precise segment of the market that is targeted by the Resulting Issuer is characterized by rapid technological change, evolving industry standards, frequent new product introductions, and short product life cycles.
- It is critical to the success of the Resulting Issuer to be able to anticipate and react quickly to changes in technology or in industry standards and to be able to successfully develop and introduce new, enhanced, and competitive products on a timely basis.
- The Resulting Issuer will be reliant on the ability to develop new or improved technologies, manufacturing products, and to successfully obtain patents, licenses to patents, or other proprietary or statutory protection for these technologies and products in Canada and other jurisdictions.
- The Resulting Issuer may in the future receive claims from third parties asserting infringement and other related claims on their intellectual property rights.
- The Resulting Issuer may lose its IP licenses with brand partners.
- The Resulting Issuer is engaged in an industry that is highly competitive and rapidly evolving.
- The Resulting Issuer 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 new products provided by the competitors of the Resulting Issuer may render the existing products of the Resulting Issuer less competitive.
- The Resulting Issuer relies on contract manufacturers to manufacture its products and products.
- The Resulting Issuer may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Resulting Issuer that may be dilutive.
- The proposed management of the Resulting Issuer has limited experience operating a public company.
- Future revenue growth and global logistics may be materially affected by the spread of infectious diseases and local or global pandemic events.
- The costs incurred in correcting any product defects or errors may be substantial and could adversely affect the operating margins of the Resulting Issuer.
- Many aspects of the Resulting Issuer's business will require the Resulting Issuer to accept certain risks, including risks that expose the Resulting Issuer to liability under the Law.

- The Resulting Issuer will be dependent on several significant personnel.
- 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 Resulting Issuer anticipates rapid growth and will need to continue to attract, hire and retain highly skilled and motivated officers and employees.
- The computer infrastructure of the Resulting Issuer may potentially be vulnerable to physical or electronic computer break-ins, viruses and similar disruptive problems and security breaches.
- The manufacturing activity of the Resulting Issuer depends on obtaining adequate supplies of functional components, such as displays, semi-conductors, batteries, printed circuit boards and flash memory, on a timely basis.
- The Resulting Issuer is subject to income taxes in both Canada and numerous foreign jurisdictions.
- International sales and the use of the platform in various jurisdictions is subject to risks that the Resulting Issuer does not generally face with respect to domestic sales within North America.
- The growth strategy of the Resulting Issuer is dependent upon expanding its product and service offerings into new business areas or new geographic markets.
- The Resulting Issuer will be exposed to credit risk.
- There are risks inherent in the international activities of the Resulting Issuer.
- The Resulting Issuer is subject to growth-related risks, capacity constraints and pressure on its internal systems and controls.
- The revenues of the Resulting Issuer are dependent on the overall macro-economic environment.
- The business of the Resulting Issuer will depend on the availability of adequate funding.
- The Resulting Issuer will rely on dealer relationships, and other collaborative arrangements to provide services and to develop and commercialize some of its products or services.
- The Resulting Issuer may require the registration of its users before accessing its products or services or certain features of its products or services and it may be subject to increased legislation and regulations on the collection, storage, retention, transmission and use of user data that is collected.
- 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.
- 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.
- There is currently no market through which the Subscription Receipts may be sold, and Purchasers may not be able to resell Subscription Receipts.
- The Resulting Issuer may fail to realize the anticipated benefits of the Proposed Qualifying Transaction.
- There may be unexpected costs or liabilities related to the Proposed Qualifying Transaction.
- The ability of the Corporation to successfully consummate the Proposed Qualifying Transaction is dependent on the performance of the Directors and Officers, who only devote a portion of their time to the business and affairs of the Corporation and are, or will be, engaged in other projects or businesses.

Readers are cautioned not to place undue reliance on the forward-looking information, which is given as of the date of this prospectus. Neither the Corporation nor EBN undertakes any 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 Securities Laws.

## MARKETING MATERIALS

A "template version" of the following "marketing materials" (each such term as defined in National Instrument 41-101 – General Prospectus Requirements) for this Offering filed with the securities regulatory authorities in each of the provinces of Canada, except Québec, are specifically incorporated by reference into this prospectus:

- the term sheet in respect of the Offering dated May 10, 2021;
- the investor presentation in respect of the Offering dated May 10, 2021.

These documents are available under the profile of the Corporation on SEDAR at www.sedar.com.

In addition, any template version of any other marketing materials filed with the securities regulatory authorities in each of the provinces of Canada, except Québec, in connection with this Offering, after the date of this prospectus, but prior to the termination of the Offering (including any amendments to, or an amended version of, any template version of any marketing materials), is deemed to be incorporated by reference in this prospectus. Any template version of any marketing materials utilized in connection with this Offering are not part of this prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this prospectus.

## MARKET AND INDUSTRY DATA

Market and industry data presented throughout this prospectus was obtained from third-party sources, websites and other publicly available information, as well as industry and other data prepared by the Corporation or EBN or on their behalf on the basis of the Corporation's knowledge of the markets in which the EBN operates. The Corporation and EBN believe that the market and industry data and surveys presented in this prospectus is accurate and, with respect to data prepared by the Corporation or EBN or on their behalf, that their opinions, estimates and assumptions are currently appropriate and reasonable, but there can be no assurance as to the accuracy or completeness thereof and neither the Corporation, EBN nor any of the Agents make any representation to that effect. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases.

Although we believe it to be reliable, neither the Corporation, EBN nor any of the Agents have independently verified any of the data from third-party sources referred to in this prospectus, analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying market, economic and other assumptions relied upon by such sources. Market and industry data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Nerland Lindsey LLP, counsel to the Corporation, the Subscription Receipts, the Resulting Issuer Shares and Resulting Issuer Warrants to be issued pursuant to the Offering and the Resulting Issuer Shares and Resulting Issuer Warrants issuable pursuant of the Subscription Receipts, if issued on the date of this prospectus, would be qualified investments for a trust governed by a Registered Plan and a DPSP, provided that (i) in the case of the Resulting Issuer Shares, the Resulting Issuer Shares are then listed on a "designated stock exchange" in Canada for purposes of the Tax Act (which currently includes the TSXV) or the Resulting Issuer then qualifies as a "public corporation"(other than a "mortgage investment corporation") (each as defined in the Tax Act); and (b) in the case of the Subscription Receipts and the Resulting Issuer Warrants, the Resulting Issuer Shares underlying the Subscription Receipts and Resulting Issuer Warrants are then qualified investments as described in paragraph (a) and the Resulting Issuer is not, and deals at arm's length with each Person who is, an annuitant, a beneficiary, an employer, or a subscriber under or a holder of such Registered Plan or DPSP.

Notwithstanding that a Subscription Receipt, Resulting Issuer Share or Resulting Issuer Warrant may be a qualified investment for a trust governed by a Registered Plan, the holder or subscriber of, or an annuitant under, a Registered Plan who holds such Resulting Issuer Share or Resulting Issuer Warrant will be subject to a penalty tax if such securities are a "prohibited investment" for the particular Registered Plan. A Subscription Receipt, Resulting Issuer Share or Resulting Issuer Warrant will be a "prohibited investment" for a Registered Plan if such individual: (a) does not deal at arm's length with the Resulting Issuer for purposes of the Tax Act; or (b) has a "significant interest", as defined in the Tax Act, for the purposes of the prohibited investment rules, in the Resulting Issuer. Such individuals should consult their own tax advisors with respect to whether the Subscription Receipts, the Resulting Issuer Shares and Resulting Issuer Warrants would be prohibited investments in their particular circumstances.

**GLOSSARY**

"**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended.

"**AB Registrar**" means the Registrar of Corporations or a Deputy Registrar of Corporations appointed under section 263 of the ABCA.

"**Acquisition Proposal**" means:

(a) with respect to the Corporation, any inquiry, offer, or proposal (whether written or oral) from any Person or Company or group of Persons or Companies (other than EBN) after the date of the Amended and Restated Amalgamation Agreement relating to:

(i) any sale from treasury of Securities or similar transaction or series of related transactions that, if consummated, would result in a Person or Company or group of Persons or Companies beneficially owning 20% or more of any class of equity or voting Securities of the Corporation;

(ii) any direct or indirect take-over bid or similar transaction or series of related transactions that, if consummated, would result in a Person or Company or group of Persons or Companies beneficially owning 20% or more of any class of equity or voting Securities of the Corporation;

(iii) any direct or indirect sale of assets or similar transaction or series of related transactions representing the disposition of 20% or more of the consolidated assets of the Corporation and the Subsidiary, taken as a whole; or

(iv) any amalgamation, arrangement, reorganization, or similar transaction or series of related transactions under a Statutory Procedure involving the Corporation or the Subsidiary;

(b) with respect to EBN, any inquiry, offer, or proposal (whether written or oral) from any Person or Company or group of Persons or Companies (other than the Corporation or the Subsidiary) after the date of the Amended and Restated Amalgamation Agreement relating to:

(i) any sale from treasury of Securities or similar transaction or series of related transactions that, if consummated, would result in a Person or Company or group of Persons or Companies beneficially owning 20% or more of any class of equity or voting Securities of EBN;

(ii) any direct or indirect take-over bid or similar transaction or series of related transactions that, if consummated, would result in a Person or Company or group of Persons or Companies beneficially owning 20% or more of any class of equity or voting Securities of EBN;

(iii) any direct or indirect sale or disposition of assets or similar transaction or series of related transactions representing the disposition of 20% or more of the consolidated assets or contributing 20% or more of the consolidated revenue, as applicable, of EBN and the EBN Subsidiaries, taken as a whole; or

(iv) any amalgamation, arrangement, reorganization, or similar transaction or series of related transactions under a Statutory Procedure involving EBN or any of the EBN Subsidiaries.

"**Adverse Material Change**" means, when used in relation to a Party, any change in the assets, business, capital, financial position, liabilities, or operations of the Party and its Subsidiaries, taken as a whole, that has a significant adverse effect on (a) the market price or value of any Securities of the Party, or (b) the ability of the Party to complete the Proposed Qualifying Transaction.

"**Agency Agreement**" means the agency agreement dated June 3, 2021, between the Agents, Corporation, and EBN.

"**Agents**" means the Co-Lead Agents, and Research Capital Corporation.

"**Agents' Commission**" means the commission equal to 8% of the aggregate gross proceeds of the Offering that is payable by the Corporation to the Agents pursuant to the Agency Agreement.

"**Agents' Options**" means the irrevocable and non-transferable options to acquire that number of Resulting Issuer Shares equal to 8% of the Subscription Receipts sold pursuant to the Offering, at a price of $4.15 per Resulting Issuer Share, for a period of 12 months following the satisfaction of the Escrow Release Conditions.

"**Aggregate Pro Group**" means all Persons and Companies that are members of any Pro Group whether or not the Member is involved in a contractual relationship with an Issuer to provide financing, sponsorship, and other advisory services.

**"A.I"** means artificial intelligence or a suite of machine learning software algorithms developed within EBN's market intelligence software ProductLoop.

"**Amalco**" means the corporation to be formed as a result of the Amalgamation.

"**Amalco Shares**" means the common shares of Amalco.

"**Amalgamation**" means the amalgamation of the Subsidiary and EBN under section 269 of the BCBCA.

"**Amalgamation Agreement**" means the amalgamation agreement dated March 12, 2020, between the Corporation, Subsidiary, and EBN.

"**Amalgamation Dissent Right**" means the right of a registered EBN Shareholder to dissent from the Amalgamation Resolution under section 238 of the BCBCA.

"**Amalgamation Resolution**" means the Special Resolution of the EBN Shareholders, in form satisfactory to the Corporation, acting reasonably, to approve the Amended and Restated Amalgamation Agreement.

"**Amended and Restated Amalgamation Agreement**" means the amended and restated amalgamation agreement dated January 28, 2021, between the Corporation, Subsidiary, and EBN.

"**Amendment No. 1**" means amendment no. 1 to the amalgamation agreement dated March 27, 2020, between the Corporation, Subsidiary, and EBN.

"**Amendment No. 2**" means amendment no. 2 to the amalgamation agreement dated October 13, 2020, between the Corporation, Subsidiary, and EBN.

"**Amendment No. 3**" means the amendment to the amended and restated amalgamation agreement dated March 26, 2021, between the Corporation, Subsidiary, and EBN.

"**Annual Financial Statements**" means the audited annual financial statements of the Corporation for the year ended February 29, 2020, and for the period from October 15, 2018, to February 28, 2019.

"**Annual Resolutions**" means:

(a) the ordinary resolution of the Shareholders to elect the Directors to hold office until the earlier of (i) the conclusion of the next annual meeting of the Shareholders, and (ii) the Closing Date;

(b) the ordinary resolution of the Shareholders to (i) appoint MNP LLP as the auditor of the Corporation, and (ii) authorize the Board to fix the remuneration of that auditor;

(c) the ordinary resolution of the Shareholders to approve the Option Plan; and

(d) the ordinary resolution of the Shareholders, which will only take effect following the Closing Date, to elect the Resulting Issuer Directors.

"**Arm's Length Receiptholders**" means Receiptholders that purchase Subscription Receipts pursuant to the Offering and that subsequently acquire Units pursuant to the Subscription Receipts, and that at all relevant times, for purposes of the Tax Act hold their Subscription Receipts, Resulting Issuer Shares and Resulting Issuer Warrants issued pursuant to the Offering as capital property and deals at arm's length with, and are not affiliated with, the Corporation or Agents.

"**Approval**" means any authorization, consent, licence, order, permit, waiver, or similar approval issued by the Government.

"**ASA**" means the *Securities Act*, R.S.A. 2000, c. S-4, as amended.

"**ASC**" means the Alberta Securities Commission.

"**Associate**", when used to indicate a relationship with a Person or Company, means: (a) an Issuer of which the Person or Company beneficially owns or controls, directly or indirectly, voting Securities entitling the Person or Company to more than 10% of the voting rights attached to outstanding Securities of the Issuer; (b) any partner of the Person or Company; (c) any trust or estate in which the Person or Company has a substantial beneficial interest or in respect of which a Person or Company serves as trustee or in a similar capacity; or (d) in the case of a Person, a relative of that Person, including (i) the spouse or adult interdependent partner of that Person; (ii) a relative of the spouse or adult interdependent partner of the Person if the relative has the same home as that Person; or (iii) another Person who has the same home as, and is in a conjugal relationship with, that Person.

"**Audit Committee**" means the audit committee of the Board as constituted from time to time.

"**Audit Committee Charter**" means the charter of the Audit Committee attached as Schedule A.

"**B2C**" means "business-to-customer", which refers to the process of selling products and services directly between a business and consumers who are the end-users of its products or services.

"**BCBCA**" means the *Business Corporations Act*, S.B.C. 2002, c. 57, as amended.

"**BC Registrar**" means the Person appointed as the Registrar of Companies under section 400 of the BCBCA.

"**BCSA**" means the *Securities Act*, R.S.B.C. 1996, c. 418, as amended.

"**B&M**" means brick and mortar, which refers to a traditional street-side business that offers products and services to consumers face-to-face in an office or store that the business owns or rents.

"**Board**" means the board of directors of the Corporation as constituted from time to time.

"**C6 Agreement**" means the Agreement for the Purchase and Sale of Future Receipts dated March 1, 2021, between eBuyNow and C6 Capital Funding, LLC, under which eBuyNow is required to remit future accounts receivable to C6 Capital Funding, LLC.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**Certificate of Amalgamation**" means the certificate of amalgamation to be issued by the BC Registrar in respect of the Amalgamation under section 281 of the BCBCA.

"**Change in Recommendation**" means that the board of directors of any Party: (a) fails to unanimously recommend; (b) amends, qualifies, or withdraws, in a manner that has substantially the same effect as a failure to unanimously recommend; or (c) fails to publicly reaffirm within ten Business Days after having been requested to do so by the other Parties, acting reasonably; the approval or recommendation of the Proposed Qualifying Transaction.

"**Cinatic**" means eBuyNow eCommerce Ltd. (formerly Cinatic Technology Limited), a Hong Kong corporation, and a EBN Subsidiary.

"**Cinatic Annual Financial Statements**" means the audited annual financial statements of Cinatic for the years ended March 31, 2019, and March 31, 2018.

"**Cinatic Shareholder Loans**" means loans from three former shareholders of Cinatic to EBN in the aggregate principal amount of $249,000, which are non-interest bearing and mature upon the issuance of the Final TSXV Bulletin.

"**Circular**" means the notice of the Meeting and the accompanying management information circular of the Corporation in the form of Form 51-102F5, including all schedules, appendices, and exhibits to, and information incorporated by reference in, that management information circular, as amended.

"**Closing Date**" means the closing date of the Proposed Qualifying Transaction.

"**CMC**" means Happy CP Company Limited, a Hong Kong corporation, trading as Choco Matte Capital.

"**Co-Lead Agents**" means Integral Wealth Securities Limited and Echelon Wealth Partners Inc., the co-lead agents and joint bookrunners of the Offering.

"**Commercially Reasonable Efforts**" means, in respect of the efforts of any Party, the efforts that a reasonable Person or Company would use in circumstances comparable to the circumstances of the Party.

"**Company**" means any corporation, incorporated association, incorporated syndicate, or other incorporated organization.

"**Consolidation**" means the consolidation of the outstanding Shares on a 20.75-for-one basis under section 173 of the ABCA.

"**Consolidation Resolution**" means the Special Resolution of the Shareholders, in form satisfactory to EBN, acting reasonably, to approve the Consolidation.

"**Control Person**" means:

(a) a Person or Company who holds a sufficient number of the voting rights attached to all outstanding voting Securities of an Issuer to affect materially the control of the Issuer, and if a Person or Company holds more than 20% of the voting rights attached to all outstanding voting Securities of an Issuer, the Person or Company is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the Issuer; or

(b) each Person or Company in a combination of Persons or Companies acting in concert by virtue of an agreement, arrangement, commitment, or understanding, who holds in total a sufficient number of the voting rights attached to all outstanding voting Securities of an Issuer to affect materially the control of the Issuer, and if a combination of Persons or Companies holds more than 20% of the voting rights attached to all outstanding voting Securities of an Issuer, the combination of Persons or Companies is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the Issuer.

"**Corporation**" means CE Brands Inc., an Alberta corporation.

"**Corporation Termination Fee**" means the termination fee of $300,000 payable by the Corporation to EBN in accordance with the terms of the Amended and Restated Amalgamation Agreement.

"**CPC**" means a corporation: (a) that has filed and obtained a receipt for a preliminary CPC Prospectus from one or more of the Canadian securities regulatory authorities or regulators in compliance with Policy 2.4; and (b) in regard to which the Final TSXV Bulletin has not yet been issued.

"**CPC Escrow Agreement**" means a CPC escrow agreement prepared in accordance with TSXV Form 2F – *CPC Escrow Agreement*.

"**CPC Filing Statement**" means a filing statement prepared in accordance with TSXV Form 3B2 – *Information Required in a Filing Statement for a Qualifying Transaction*.

"**CPC Information Circular**" means an information circular prepared in accordance with TSXV Form 3B1 – *Information Required in an Information Circular for a Qualifying Transaction*.

"**CPC Policy**" means Policy 2.4 – *Capital Pool Companies* of the TSXV.

"**CRA**" means the Canada Revenue Agency.

"**CSA**" means the Canadian Securities Administrators.

"**Data Room**" means the material contained in the virtual data room established by EBN on October 1, 2019.

"**Directors**" means the directors of the Corporation from time to time.

"**Discounted Market Price**" means the Market Price less the following maximum discounts based on closing price (and subject, notwithstanding the application of any such maximum discount, to a minimum price per share of $0.05):

| Closing Price | Discount |
|---|---|
| Up to $0.50 | 25% |
| $0.51 to $2.00 | 20% |
| Above $2.00 | 15% |

"**Dissent Right**" means the right of a registered EBN Shareholder to dissent from the EBN Amalgamation Resolution under section 238 of the BCBCA.

"**DPSP**" means a deferred profit sharing plan.

"**EBN**" means eBuyNow eCommerce Ltd., a British Columbia corporation.

"**EBN Annual Financial Statements**" means the audited annual consolidated financial statements of EBN for the three years ended March 31, 2020, March 31, 2019, and March 31, 2018.

"**EBN Board**" means the board of directors of EBN as constituted from time to time.

"**EBN Circular**" means the notice of the EBN Meeting and the accompanying management information circular of EBN, including all schedules, appendices, and exhibits to, and information incorporated by reference in, that management information circular, as amended.

"**EBN Consolidation**" means the consolidation of the outstanding EBN Shares on a five-for-one basis under section 54 of the BCBCA.

"**EBN Consolidation Resolution**" means the Special Resolution of the EBN Shareholders, in form satisfactory to EBN, acting reasonably, to approve the EBN Consolidation.

"**EBN Convertible Debtholders**" means the owners of the EBN Convertible Debts.

"**EBN Convertible Debts**" means the EBN Convertible Loans (CAD) and EBN Convertible Loan (USD).

"**EBN Convertible Loans (CAD)**" means loans to EBN in the aggregate principal amount of $1,174,784.99, each of which bears interest at the rate of between 4.5% per annum, is convertible into EBN Shares at a conversion price of $0.75 per EBN Share, and matures 24 months following the date on which the loan was issued.

"**EBN Convertible Loan (USD)**" means the demand loan to EBN in the principal amount of US$1,388,888, which bears interest at the rate of 12% per annum, is convertible into EBN Shares at a conversion price of $0.75 per EBN Share, and matures 12 months following the date on which the loan was issued.

"**EBN Convertible Notes**" means notes of EBN, each of which bore interest at the rate of 8.5% per annum, was convertible into EBN Shares at a conversion price ranging from $0.375 to $0.50 per EBN Share, and matured 24 months following the date on which the note was issued.

"**EBN Credit Facility**" means the secured revolving line of credit granted by a U.S. lender to eBuyNow in the maximum amount of US$3,000,000.

"**EBN Directors**" means the directors of EBN from time to time.

"**EBN Interim Financial Statements**" means the unaudited interim consolidated financial statements of EBN for the three month and nine month periods ended December 31, 2020.

"**EBN Loans (CAD)**" means loans to EBN in the aggregate principal amount of $425,486.68, each of which bears interest at the rate of between 4.5% per annum and matures 24 months following the date on which the loan was issued.

"**EBN Meeting**" means the annual and special meeting of EBN Shareholders, including any adjournment or postponement of that meeting in accordance with the Amended and Restated Amalgamation Agreement, to be called and held to consider and vote on the EBN Consolidation Resolution and Amalgamation Resolution.

"**EBN Named Executive Officer**" means a Named Executive Officer (as that term is defined in Form 51-102F6V *Statement of Executive Compensation – Venture Issuers*) of EBN.

"**EBN Officers**" means the officers of EBN from time to time.

"**EBN Options**" means incentive options of EBN, each of which entitles the holder to purchase one EBN Share, at a purchase price ranging from $0.01 to $0.75, for a period of 60 months following the date on which the incentive option was granted.

"**EBN Optionholders**" means the owners of the EBN Options.

"**EBN Secured Debentures**" means the $3,063,114 aggregate principal amount of senior secured debentures of EBN, each of which bears interest at the rate of 12% per annum and matures 24 months after the date on which the debenture was issued. The obligations of EBN under the EBN Secured Debentures are secured by a first-ranking security interest in all of the present and after-acquired personal property of EBN, except for a second-ranking security interest in its U.S. accounts receivable and inventory.

"**EBN Secured Notes**" means the $320,244.02 aggregate principal amount of secured notes of EBN, each of which bears interest at the rate of 12% per annum and matures ten months after the date on which the note was issued. The obligations of EBN under the EBN Secured Notes are secured by a first-ranking security interest in all of the present and after-acquired personal property of EBN, except for a second-ranking security interest in its U.S. accounts receivable and inventory.

"**EBN Shares**" means the class "A" common voting shares of EBN.

"**EBN Shareholders**" means the owners of the EBN Shares.

"**EBN Subsidiaries**" means the subsidiaries of EBN namely eBN Holdings Ltd. (British Columbia), eBuyNow eCommerce Limited (UK), eBuyNow, eBuyNow eCommerce B.V. (Netherlands), PerimiterSafe Holdings Limited (British Columbia), PerimiterSafe Home Monitoring Limited (Canada), eBN eCommerce Private Limited (India), EBUYNOW ECOMMERCE, S. DE R.L. DE C.V. (Mexico), eBuyNow eCommerce Limited (Hong Kong), Premietech Limited (Hong Kong), Cinatic (Shenzhen Technology Co., Ltd. (China) and Premielink Company Limited (Vietnam).

"**EBN Termination Fee**" means the termination fee of $300,000 payable by EBN to the Corporation in accordance with the

terms of the Amended and Restated Amalgamation Agreement.

**"EBN Units"** means the issuance of units of EBN consisting of one EBN Share and one EBN Warrant. Each such EBN Warrant entitles the holder to purchase one EBN Share, at a price of $0.75 per EBN Share, for a period of 24 months following the date on which the EBN Warrant was issued.

"**EBN Warrants**" means the share purchase warrants of EBN, each of which entitles the holder to purchase one EBN Share, at a purchase price ranging from $0.375 to $0.75, for a period ranging from 12 months to 36 months following the date on which the warrant was issued.

"**EBN Warrantholders**" means the owners of the EBN Warrants.

"**eBuyNow**" means eBuyNow LLC, an Ohio company, and an EBN Subsidiary.

"**Escrow Agent**" means Odyssey Trust Company, the escrow agent under the CPC Escrow Agreement and QT Escrow Agreement.

"**Escrowed Funds**" means the net proceeds of the Offering after deducting 50% of the Agents' Commission and the expenses of the Agents.

"**Escrow Release Conditions**" means the conditions stated in the Subscription Receipt Agreement that must be satisfied in order for the Escrowed Funds to be released, such conditions being: (a) except as consented to in writing by the Co-Lead Agents (on behalf of the Agents), no material provision of the Amended and Restated Amalgamation Agreement (as defined herein) has been amended by the parties thereto; (b) that the Proposed Qualifying Transaction has closed and the Resulting Issuer has delivered a notice to the Co-Lead Agents (on behalf of the Agents) confirming that the Proposed Qualifying Transaction has closed; (c) that all of the conditions contained in the Agency Agreement have been satisfied (or waived with the prior written approval of the Co-Lead Agents (on behalf of the Agents)); and (d) that the Resulting Issuer and the Co-Lead Agents (on behalf of the Agents) have delivered an irrevocable direction to the Subscription Receipt Agent confirming that the conditions stated in the Subscription Receipt Agreement have been satisfied (or waived with the prior written approval of the Subscription Receipt Agent).

"**Final TSXV Bulletin**" means a TSXV bulletin that evidences the final TSXV acceptance of a transaction.

"**Government**" means all the Persons and Companies authorized to perform executive, legislative, judicial, and administrative functions on behalf of the government of a country or the political subdivision of a country in which a Party or any of its Subsidiaries carries on its business or conducts its affairs.

"**Insider**" means:

(a) a director or officer of an Issuer;

(b) a director or officer of a Person or Company that is itself an Insider or subsidiary of an Issuer;

(c) a Person or Company that has beneficial ownership of, or control or direction over, directly or indirectly, or a combination of beneficial ownership of and control or direction over, directly or indirectly, Securities of an Issuer carrying more than 10% of the voting rights attached to all the outstanding voting Securities of the Issuer, excluding, for the purpose of the calculation of the percentage held, any Securities held by the Person or Company as underwriter in the course of a distribution;

(d) an Issuer that has purchased, redeemed, or otherwise acquired a Security of its own issue, for so long as it continues to hold that Security;

(e) a Person designated as an Insider in an order made under section 10 of the ASA; or

(f) a Person that is in a prescribed class of Persons.

"**Interim Financial Statements**" means the unaudited interim financial statements of the Corporation for the three and nine months ended November 30, 2020.

"**IOT**" means the Internet of things, which refers to products that are embedded with sensors, software, and other technologies for the purpose of connecting and exchanging data with other devices and systems over the Internet.

"**IPO**" means the initial public offering of the Corporation of 5,000,000 Shares, at an offering price of $0.10 per Share, for gross proceeds of $500,000.00.

"**IPO Options**" means compensation options of the Corporation issued pursuant to the IPO, each of which entitles the holder to purchase one Share, at a purchase price of $0.10, for a period of 24 months following the date on which the Shares began trading on the TSXV.

"**Issuer**" means a Person or Company that: (a) has outstanding Securities; (b) is issuing Securities; or (c) proposes to issue Securities.

"**Laws**" means all the statutory instruments, judicial precedents, and accepted legal principles of a Government.

"**Letter of Intent**" means the non-binding letter of intent dated June 17, 2019, between the Corporation and EBN relating to the Proposed Qualifying Transaction.

"**Listed Shares**" means shares or other Securities that are listed on the TSXV.

"**Market Price**" means the last closing price of the Listed Shares of an Issuer before either the issuance of the news release or the filing of the TSXV Form 4A – *Price Reservation Form* required to fix the price at which the Securities are to be issued or deemed to be issued.

"**Material Fact**" when used in relation to Securities issued or proposed to be issued, means a fact that would reasonably be expected to have a significant effect on the market price or value of the Securities.

"**Meeting**" means the annual and special meeting of Shareholders, including any adjournment or postponement of that meeting in accordance with the Amended and Restated Amalgamation Agreement, to be called and held to consider the Annual Financial Statements and vote on the Annual Resolutions and Consolidation Resolution.

"**Member**" means a Person or Company that has executed the Members' Agreement, as amended from time to time, and is accepted as and becomes a member of the TSXV.

"**Members' Agreement**" means the members' agreement between the TSXV and each Person or Company that, from time to time, is accepted as and becomes a member of the TSXV.

"**Minimum Offering**" means the Offering and, for clarity, is equal to the completion of the full Offering amount of 3,614,458 Subscription Receipts for minimum gross proceeds from the Offering of $15,000,000.

"**Misrepresentation**" means: (a) an untrue statement of a Material Fact; (b) an omission to state a Material Fact that is required to be stated; or (c) an omission to state a Material Fact that is necessary to be stated in order for a statement not to be misleading.

"**Named Executive Officer**" means a Named Executive Officer (as that term is defined in Form 51-102F6V *Statement of Executive Compensation – Venture Issuers*) of the Corporation.

"**Non-Arm's Length Party**" means: (a) in relation to a Company: (i) a Promoter, director, officer, other Insider or Control Person of that Company and any Associates or affiliates of any of such Persons; or (ii) another entity or an affiliate of that entity, if that entity or its affiliate have the same Promoter, director, Insider, or Control Person as the Company; and (b) in relation to an individual, any Associate of the individual or any Company of which the individual is a Promoter, director, officer, Insider, or Control Person.

"**Non-Resident Receiptholder**" means an Arm's Length Receiptholder that, at all relevant times, for the purposes of the Tax Act is not, and is not deemed to be, resident in Canada and does not use or hold any Subscription Receipts or Units in a business carried on in Canada.

"**Offering**" means the offering of 3,614,458 Subscription Receipts for gross proceeds of $15,000,000 as described in this prospectus.

"**Offering Closing Date**" means the date of the closing of the Offering.

"**Offering Jurisdictions**" means all of the provinces of Canada, except Québec.

"**Officers**" means the officers of the Corporation from time to time.

"**Options**" means the incentive options of the Corporation, each of which entitles the holder to purchase one Share, at a purchase price of $0.10, for a period of 60 months following the date on which the Corporation completes a Qualifying Transaction.

"**Option, Warrant and Note Exchange**" means the exchange of EBN Options for Resulting Issuer Options, EBN Warrants for Resulting Issuer Warrants, EBN Convertible Loans (CAD) for Resulting Issuer Convertible Loans (CAD), and EBN Convertible Loan (USD) for Resulting Issuer Convertible Loan (USD) pursuant to the Amended and Restated Amalgamation Agreement.

"**Option Plan**" means the stock option plan of the Corporation dated May 3, 2019.

"**Order**" means any judgment, order, writ, decree, or similar declaration of a Government.

"**Outside Time**" means 4:00 p.m. (Mountain Time) on June 30, 2021, or such later time as the Parties may agree upon in writing.

"**Party**" means a party to the Amended and Restated Amalgamation Agreement.

"**Person**" means an individual, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative.

"**Policy 2.4**" means Policy 2.4 – *Capital Pool Companies* of the TSXV.

"**Policy 5.4**" means Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions* of the TSXV.

"**Principal**" means: (a) a Person who acted as a Promoter of the Resulting Issuer within two years before the Final TSXV Bulletin; (b) a Resulting Issuer Director or senior Resulting Issuer Officer or director or senior officer of any of its material operating subsidiaries at the time of the Final TSXV Bulletin; (c) a 20% holder – a Person or Company that holds Securities carrying more than 20% of the voting rights attached to the outstanding Securities of the Resulting Issuer immediately before and immediately after the Final TSXV Bulletin; and (d) a 10% holder – a Person or Company that: (i) holds Securities carrying more than 10% of the voting rights attached to the outstanding Securities of the Resulting Issuer immediately before and immediately after the Final TSXV Bulletin; and (ii) has elected or appointed, or has the right to elect or appoint, one or more Resulting Issuer Directors or senior Resulting Issuer officers or one or more directors or senior officers of any of its material operating subsidiaries.

"**Proceeding**" means any civil, criminal, or administrative investigation, action, claim, or proceeding.

"**Pro Forma Financial Statements**" means the *pro forma* financial statement of the Resulting Issuer as at November 30, 2020, after giving effect to the Offering and the Proposed Qualifying Transaction.

"**Pro Group**" means, subject to paragraphs (x), (y), and (z), either individually or as a group: (a) a Member; (b) employees of the Member; (c) partners, directors, and officers of the Member; (d) affiliates of the Member; and (e) Associates of any parties referred to in paragraphs (a) through (d).

(a) The TSXV may, in its discretion, include a Person or Company or party in the Pro Group for the purposes of a particular calculation where the TSXV determines that the Person is not acting at arm's length to the Member.

(b) The TSXV may, in its discretion, exclude a Person or Company from the Pro Group for the purposes of a particular calculation where the TSXV determines that the Person is acting at arm's length of the Member.

(c) The TSXV may deem a Person or Company that would otherwise be included in the Pro Group pursuant to paragraph (a) to be excluded from the Pro Group where the TSXV determines that: (i) the Person or Company is an affiliate or Associate of the Member and is acting at arm's length of the Member; (ii) the affiliate or Associate has a separate corporate and reporting structure; (iii) there are sufficient controls on information flowing between the Member and the affiliate or Associate; and (iv) the Member maintains a list of such excluded Persons and Companies.

"**Promoter**" means:

(a) a Person or Company, acting alone or in conjunction with one or more other Persons or Companies or a combination of them, that, directly or indirectly, takes the initiative in founding, organizing, or substantially reorganizing the business of an Issuer; or

(b) a Person or Company that, directly or indirectly, receives in consideration of services or property, or both, (i) 10% or more of any class of Securities of an Issuer, or (ii) 10% or more of the proceeds from the sale of any class of Securities of a particular issue, in connection with the founding, organizing, or substantial reorganizing of the business of an Issuer, but does not include a Person or Company that receives securities or proceeds solely (iii) as underwriting commissions, or (iv) in consideration of property transferred to the Issuer, if that Person or Company does not otherwise take part in founding, organizing, or substantially reorganizing the business.

"**Proposed Amendments**" means specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) before the date of this prospectus.

"**Proposed Qualifying Transaction**" means the Consolidation, EBN Consolidation, Amalgamation, and Option, Warrant and Note Exchange.

"**Purchasers**" means the purchasers of the Subscription Receipts.

"**QT Escrow Agreement**" means an escrow agreement prepared in accordance with TSXV Form 5D – *Escrow Agreement (Surplus Security)*.

"**Qualifying Transaction**" means a transaction where a CPC acquires Significant Assets, other than cash, by way of purchase, amalgamation, merger, or arrangement with another Company or by other means.

"**R&D**" means research and development.

"**Receiptholders**" means the owners of the Subscription Receipts.

"**Registered Plan**" means a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a registered disability savings plan, or a tax-free savings account (each as defined in the Tax Act).

"**Reporting Issuer**", when used in relation to a province or territory of Canada, has the meaning given to the term "reporting issuer" in the Securities Laws of that province or territory.

"**Reporting Jurisdictions**" means all of the provinces of Canada, except Québec.

"**Representatives**", when used in relation to any Party, means its directors, officers, employees, consultants, agents, and

advisors.

"**Resident Receiptholders**" means Arm's Length Receiptholders that, at all relevant times, for the purposes of the Tax Act, are (or are deemed to be) resident in Canada.

"**Resulting Issuer**" means the Corporation after the completion of the Proposed Qualifying Transaction.

"**Resulting Issuer Audit Committee**" means the audit committee of the Resulting Issuer Board as constituted from time to time.

"**Resulting Issuer Board**" means the board of directors of the Resulting Issuer as constituted from time to time.

"**Resulting Issuer CNG Committee**" means the compensation, nomination and governance committee of the Resulting Issuer Board as constituted from time to time.

"**Resulting Issuer Convertible Loans (CAD)**" means loans to the Resulting Issuer in the aggregate principal amount of $1,174,784.99, each of which will bear interest at the rate of between 4.5% per annum, be convertible into Resulting Issuer Shares at a conversion price of $3.75 per Resulting Issuer Share, and mature 24 months following the date on which the loan was issued.

"**Resulting Issuer Convertible Loan (USD)**" means the demand loan to the Resulting Issuer in the principal amount of US$1,388,888, which will bear interest at the rate of 12% per annum, be convertible into Resulting Issuer Shares at a conversion price of $3.75 per Resulting Issuer Share, and mature 12 months following the date on which the loan was issued.

"**Resulting Issuer Directors**" means the directors of the Resulting Issuer from time to time.

"**Resulting Issuer IPO Options**" means compensation options of the Resulting Issuer, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $2.075, for a period of 24 months following the date on which the Shares began trading on the TSXV.

"**Resulting Issuer Named Executive Officer**" means a Named Executive Officer (as that term is defined in Form 51-102F6V *Statement of Executive Compensation – Venture Issuers*) of the Resulting Issuer.

"**Resulting Issuer Officers**" means officers of the Resulting Issuer from time to time.

"**Resulting Issuer Options**" means incentive stock options of the Resulting Issuer.

"**Resulting Issuer Shares**" means the common shares of the Resulting Issuer.

"**Resulting Issuer Shareholders**" means the owners of the Resulting Issuer Shares.

"**Resulting Issuer Warrants**" means the Resulting Issuer Share purchase warrants of the Resulting Issuer.

"**Routine Indebtedness**" has the meaning given to the term "routine indebtedness" in Form 51-102F5 – *Information Circular*.

"**Security**" has the meaning given to the term "security" in section 1 of the ASA.

"**Securities Laws**" means the Laws listed in Appendix B of National Instrument 14-101 – *Definitions*.

"**Securities Regulatory Authority**" means a securities commission or similar regulatory authority listed in Appendix C of National Instrument 14-101 –*Definitions*.

"**Shares**" means the common shares of the Corporation.

"**Shareholders**" means the owners of Shares.

"**Significant Assets**" means one or more assets or businesses which, when purchased, optioned, or otherwise acquired by the CPC, together with any other concurrent transactions would result in the CPC meeting the initial listing requirements of the TSXV.

"**Stenn**" means Stenn Assets UK Limited, an England and Wales company.

"**Subscription Receipts**" means the subscription receipts of the Corporation, each of which entitles the holder to receive, without payment of additional consideration and without any further action by the holder, one Unit upon the satisfaction of the Escrow Release Conditions.

"**Subscription Receipt Agent**" means Odyssey Trust Company, the agent of the Subscription Receipts under the Subscription Receipt Agreement.

"**Subscription Receipt Agreement**" means the subscription receipt agreement dated June 3, 2021, between the Corporation, EBN, the Co-Lead Agents (on behalf of the Agents), and the Subscription Receipt Agent.

"**Subsidiary**" means 1233336 B.C. Ltd., a British Columbia corporation.

"**Superior Proposal**" means any written Acquisition Proposal:

(a) to acquire, directly or indirectly, not less than all of the outstanding equity or voting Securities or all or substantially all of the assets of a Party on a consolidated basis that did not result from a breach of section 4.4 of the Amended and Restated Amalgamation Agreement;

(b) that is reasonably capable of being completed, without undue delay, accounting for all financial, legal, regulatory, and other aspects of the Acquisition Proposal;

(c) that is not subject to a financing condition and in respect of which it has been demonstrated to the satisfaction of the board of directors of the Party, after receipt of advice from its Representatives, that adequate arrangements have been made in respect of any financing required to complete the Acquisition Proposal;

(d) that is not subject to a due diligence condition; and

(e) in respect of which the board of directors of the Party determines, in good faith, after receiving the advice of its Representatives, that it would, if consummated in accordance with its terms (but without assuming away the risk of non-completion), result in a transaction that is more favourable, from a financial point of view, to the shareholders of the Party than the Proposed Qualifying Transaction (including any adjustment to the terms of the Proposed Qualifying Transaction that the other Parties propose under section 4.4(d) of the Amended and Restated Amalgamation Agreement.

"**Tax Act**" means the *Income Tax Act*, R.S.C. 1985, c. 1 (5$^{th}$ Supp.), as amended.

"**Termination Event**" means any of the following events:

(a) the Escrow Release Conditions are not satisfied within 90 days after the issuance of the final receipt for this prospectus (or any amendment to this prospectus, as applicable); or

(b) the Corporation or EBN delivers to the Agents and the Subscription Receipt Agent a notice declaring that the Amended and Restated Amalgamation Agreement has been terminated or that it will not be proceeding with the Proposed Qualifying Transaction.

"**Tooling**" means the development of the metal moulds required to produce the component parts of EBN's products.

"**TSXV**" means TSX Venture Exchange Inc.

"**TSXV Acceptance**" means the conditional acceptance of the TSXV of the Transaction under Policy 2.4.

"**Units**" means the units of the Resulting Issuer, each of which consists of one Resulting Issuer Share and one Resulting Issuer Warrant.

"**United States**" or "**U.S.**" means the United States of America and its territories and possessions.

"**U.S. Person**" means a "U.S. person", as such term is defined in Rule 902(k) of Regulation S promulgated under the U.S. Securities Act.

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended.

"**Value Securities**" means securities issued pursuant to a transaction, for which the deemed value of the securities at least equals the value ascribed to the asset, using a valuation method acceptable to the TSXV and required to be placed in escrow under a Value Security Escrow Agreement.

"**Value Security Escrow Agreement**" means an escrow agreement in TSXV Form 5D to which Value Securities will be subject and which will include Schedule B(1) of Form 5D if the Resulting Issuer is a Tier 1 issuer or Schedule B(2) of TSXV Form 5D if the Resulting Issuer is a Tier 2 issuer.

"**Waiver of Dissent Right**" means an instrument in writing, in form satisfactory to the Corporation, acting reasonably, waiving the Amalgamation Dissent Right.

"**Warrant Agent**" means Odyssey Trust Company.

"**Warrant Indenture**" means the warrant indenture dated June 3, 2021, between the Corporation and Odyssey Trust Company, in respect of the Resulting Issuer Warrants being issued under the Offering.

In addition to the foregoing definitions:

(a) a person or company is "**affiliated**" with another Person or Company if one of them is the subsidiary of the other or if each of them is controlled by the same Person or Company;

(b) a Person or Company is considered to "**control**" another Person or Company if the Person or Company, directly or indirectly, has the power to direct the management and policies of the other Person or Company by virtue of (i) the ownership or direction of voting Securities of the other person or Company; (ii) a written agreement or trust instrument; (iii) being the general partner general partner of the other Person or Company or having the power to direct the management and policies of the general partner by virtue of the ownership or direction of voting Securities of the general partner; or (d) being the trustee of the other Person or Company; and

(c) the term "**subsidiary**" refers to an Issuer that is controlled by one or more other Issuers.

## SUMMARY

*The following is a summary of the principal features of the Offering and the Proposed Qualifying Transaction and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.*

### PARTIES

***Corporation:*** The full corporate name of the Corporation is "CE Brands Inc." The Corporation is a CPC. Policy 2.4 provides that a CPC is not permitted to carry on any business except identifying and evaluating assets or businesses with a view to completing a Qualifying Transaction. The Corporation has not carried on any business except identifying and evaluating assets or businesses with a view to completing a Qualifying Transaction. See *"Information about the Corporation – Description of the Business"*.

The Corporation intends the Proposed Qualifying Transaction to constitute its Qualifying Transaction. See *"Information about the Proposed Qualifying Transaction"*. After the consummation of the Proposed Qualifying Transaction, the business of the Corporation will be the business of EBN, namely developing, manufacturing, and distributing consumer electronics in partnership with globally-recognized brands. See *"Information about the Resulting Issuer – Description of the Business"*.

The following tables summarize certain financial information of the Corporation for the three and nine months ended November 30, 2020, and for the period from incorporation to February 29, 2020. This financial information was derived from the Interim Financial Statements and Annual Financial Statements and should be read with the Interim Financial Statements and Annual Financial Statements, copies of which are attached as Schedule C and Schedule E, respectively, and management's discussion and analysis of the Corporation for the three and nine months ended November 30, 2020, and management's discussion and analysis of the Corporation for the year ended February 29, 2020, and for the period from October 15, 2018, to February 28, 2019, copies of which are attached as Schedule D and Schedule F, respectively.

| Item | As at November 30, 2020 (Unaudited) | As at February 29, 2020 (Audited) | As at February 28, 2019 (Audited) |
|---|---|---|---|
| Total assets | $217,774 | $302,631 | $191,515 |
| Total liabilities | $6,076 | $6,152 | $11,515 |

| Item | Nine months ended November 30, 2020 (Unaudited) | Year ended February 29, 2020 (Audited) | Period from October 15, 2018, to February 28, 2019 (Audited) |
|---|---|---|---|
| Revenue | $- | $- | $- |
| Expenses | $46,414 | $320,634 | $- |
| Net loss and comprehensive loss | $46,414 | $320,634 | $- |
| Basic and diluted loss per share | $(0.01) | $(0.08) | $- |

***EBN:*** The full corporate name of EBN is "eBuyNow eCommerce Ltd." EBN is in the business of developing, manufacturing, and distributing consumer electronics in partnership with globally recognized brands. EBN uses proprietary market data to identify gaps and opportunities in global markets, creates products to fill those gaps, and leverages brands to accelerate product sales. EBN and its management

have been the research and development team and online-sales team behind more than 30 products, and have partnered with brands such as Kodak, LG, Motorola, Panasonic, Sharp, and Skype. See *"Information about EBN – Description of the Business"*.

The following tables summarize certain financial information of EBN for the nine months ended December 31, 2020, and for the years ended March 31, 2020, March 31, 2019, and March 31, 2018. This financial information was derived from the EBN Interim Financial Statements and EBN Annual Financial Statements and should be read together with the EBN Interim Financial Statements and EBN Annual Financial Statements, copies of which are attached as Schedule G and Schedule I, respectively, and management's discussion and analysis of EBN for the interim period ended December 31, 2020, and management's discussion and analysis of EBN for the years ended March 31, 2020, March 31, 2019, and March 31, 2018, copies of which are attached as Schedule H and Schedule J, respectively.

| Item | As at Dec. 31, 2020 (Unaudited) | As at March 31, 2020 (Audited) | As at March 31, 2019 (Audited) | As at March 31, 2018 (Audited) |
|---|---|---|---|---|
| Total assets | $14,194,801 | $18,915,238 | $15,453,122 | $792,868 |
| Total liabilities | $17,208,450 | $14,672,718 | $8,669,239 | $1,147,004 |

| Item | Nine months ended Dec. 31, 2020 (Unaudited) | Year ended March 31, 2020 (Audited) | Year ended March 31, 2019 (Audited) | Year ended March 31, 2018 (Audited) |
|---|---|---|---|---|
| Revenue | $7,960,884 | $7,299,077 | $2,625,761 | $1,278,080 |
| Costs of Goods Sold | $6,392,085 | $5,455,576 | $1,954,230 | $387,748 |
| Expenses | | | | |
| Marketing | $1,484,821 | $2,369,738 | $584,315 | $103,095 |
| Selling and distribution | $978,700 | $778,663 | $292,914 | $- |
| Wages and contractors | $2,495,716 | $3,009,488 | $1,442,977 | $1,011,628 |
| Royalties and license fees | $530,448 | $967,592 | $147,482 | $- |
| Technology and related | $309,638 | $269,538 | $103,411 | $- |
| Professional fees | $917,957 | $1,243,902 | $964,025 | $60,517 |
| General and administrative | $774,432 | $605,476 | $157,727 | $164,456 |
| Depreciation | $188,317 | $270,775 | $974 | $- |
| Amortization | $855,178 | $1,204,358 | $202,006 | $1,926 |
| Stock-based compensation | $291,902 | $694,627 | $66,280 | $- |
| (Gain) loss on foreign exchange | $110,318 | $(307,921) | $(19,955) | $36,856 |
| Net loss | $(10,929,504) | $(10,458,337) | $(3,104,301) | $(566,083) |
| Total comprehensive loss | $(11,786,032) | $(9,849,127) | $(2,972,836) | $(566,083) |
| Basic and diluted loss per share | $(0.13) | $(0.14) | $(0.08) | $(0.02) |

As at March 31, 2021, EBN had a working capital deficit including current long-term debt obligations of $10,701,930 and a working capital deficit excluding current long-term debt obligations of $3,061,278. Its monthly "burn rate" (i.e., its average cash expenses excluding costs directly attributable to product sales), is approximately $525,000. The Corporation and EBN believe the Resulting Issuer will have sufficient funds under the Offering to satisfy its burn rate and sustain its operations for the next 12

months, at a minimum.

**OFFERING**

***Offering:*** The Corporation hereby offers for sale in all of the provinces of Canada, except Québec, 3,614,458 Subscription Receipts for gross proceeds of $15,000,000 (or a maximum of 4,156,626 Subscription Receipts for maximum gross proceeds of $17,250,000 after giving effect to the Over-Allotment Option). See *"Information about the Offering – Description of the Securities Distributed"* and *"Information about the Offering – Plan of Distribution"*.

***Offered Securities:*** Each Subscription Receipt entitles the holder to receive, without payment of additional consideration and without any further action, one Unit upon the satisfaction of the Escrow Release Conditions. Each Unit consists of one Resulting Issuer Share and one Resulting Issuer Warrant. Each such Resulting Issuer Warrant entitles the holder to purchase one additional Resulting Issuer Share, for a purchase of price of $7.50 per Resulting Issuer Share, for a period of 24 months following the date on which the Resulting Issuer Warrant was issued. See *"Information about the Offering – Description of the Securities Distributed"*.

***Offering Price:*** The Subscription Receipts are being offered for sale at a price of $4.15 per Subscription Receipt. See *"Information about the Offering – Plan of Distribution"*.

***Agents:*** Integral Wealth Securities Limited and Echelon Wealth Partners Inc. are offering for sale the Subscription Receipts on a "commercially-reasonable efforts" basis. See *"Information about the Offering – Plan of Distribution"*.

***Agents' Commission:*** Pursuant to the Agency Agreement, the Agents are entitled to the Agents' Commission, which is a cash commission equal to 8% of the gross proceeds of the Offering. As additional compensation, the Corporation will grant to the Agents the Agents' Options, which are irrevocable and non-transferable options entitling the Agents to purchase that number of Resulting Issuer Shares equal to 8% of the aggregate number of Subscription Receipts sold pursuant to the Offering. The Agents' Options will be exercisable at a price of $4.15 per Resulting Issuer Share, for a period of 12 months following the satisfaction of the Escrow Release Conditions. See *"Information about the Offering – Plan of Distribution"*.

***Over-Allotment Option:*** The Corporation has granted the Agents an Over-Allotment Option, which permits them to offer up to an additional 542,168 Subscription Receipts, solely to cover over-allotments, if any, by giving written notice of the exercise of the Over-Allotment Option, or any part of the Over-Allotment Option, to the Corporation at any time up to 30 days from the Offering Closing Date.

***Escrow:*** The Subscription Receipt Agent will hold in escrow the Escrowed Funds pending the satisfaction of the Escrow Release Conditions. Upon the satisfaction of the Escrow Release Conditions, the Subscription Receipt Agent will release to the Resulting Issuer the Escrowed Funds and the interest accrued on the Escrowed Funds, less the balance of the Agents' Commission and any additional expenses of the Agents, and the Resulting Issuer will automatically exchange each Subscription Receipt for one Unit. See *"Information about the Offering – Description of the Securities Distributed"*.

***Escrow Release Conditions:*** Certain conditions must be satisfied in order for the Escrowed Funds to be released, and for the holders of the Subscription Receipts to receive Units, such conditions being that: (a) except as consented to in writing by the Co-Lead Agents (on behalf of the Agents), no material provision of the Amended and Restated Amalgamation Agreement (as defined herein) has been amended by the parties thereto; (b) that the Proposed Qualifying Transaction has closed and the Resulting Issuer has delivered a notice to the Co-Lead Agents (on behalf of the Agents) confirming that the Proposed Qualifying Transaction has closed; (c) that all of the conditions contained in the Agency Agreement have been satisfied (or waived with the prior written approval of the Co-Lead Agents (on behalf of the Agents)); and (d) that the Resulting Issuer and the Co-Lead Agents (on behalf of the Agents) have delivered an irrevocable direction

to the Subscription Receipt Agent confirming that the conditions stated in the Subscription Receipt Agreement have been satisfied (or waived with the prior written approval of the Subscription Receipt Agent). See *"Information about the Offering – Description of the Securities Distributed"*.

***Termination Events:*** If (a) the Escrow Release Conditions are not satisfied within 90 days after the issuance of the final receipt for this prospectus (or any amendment to this prospectus, as applicable), or (b) the Corporation or EBN delivers a notice to the Agents and the Subscription Receipt Agent declaring that the Amended and Restated Amalgamation Agreement has been terminated or that the Corporation will not be proceeding with the Proposed Qualifying Transaction, then the Subscription Receipt Agent will return to each Receiptholder an amount equal to the purchase price paid for the Subscriptions Receipts and the *pro rata* entitlement of the Receiptholder to interest earned on such amount (less applicable withholding tax, if any), and EBN will pay any shortfall relating to such amount. See *"Information about the Offering – Description of the Securities Distributed"*.

***Net Proceeds:*** Following completion of the Offering and after deducting the fees payable to the Agents, but before deducting the other expenses of the Offering, estimated to be $750,000, the Resulting Issuer expects to have $13,800,000 in available funds assuming the completion of the Offering (or $15,870,000 assuming the completion of the Offering and the exercise of the Over-Allotment Option). See *"Information about the Offering – Use of Proceeds"*.

***Use of Proceeds:*** The proposed use of proceeds of the Offering are as follows:

| Use of Proceeds | Minimum Offering | Assuming Offering and Over-Allotment Option |
|---|---:|---:|
| Repayment of EBN Secured Debentures[(1)(2)] | $3,425,040 | $3,425,040 |
| Repayment of EBN Secured Note | $320,254 | $320,254 |
| Repayment of Cinatic Shareholder Loans | $249,000 | $249,000 |
| Repayment of EBN Credit Facility | $650,000 | $650,000 |
| Repayment of short-term debt | $2,680,746 | $3,180,746 |
| Working capital and general corporate purposes | $2,774,960 | $4,134,000 |
| Inventory | $2,546,000 | $2,546,000 |
| Product management, development and testing, and support and certification | $170,000 | $170,000 |
| Payment of expenses of the Offering | $750,000 | $750,000 |
| Execution of new brand licenses | $134,000 | $344,960 |
| Unallocated funds | $100,000 | $100,000 |
| **Total** | **$13,800,000** | **$15,870,000** |

See *"Information about the Offering – Use of Proceeds"*.

***Offering Closing Date:*** The Offering Closing Date is expected to occur on June 11, 2021. See *"Information about the Offering – Plan of Distribution"*.

**TRANSACTIONS**

***Amended and Restated Amalgamation*** The Corporation, Subsidiary, and EBN have entered into the Amended and Restated Amalgamation Agreement. Pursuant to the Amended and Restated Amalgamation Agreement, the Corporation, Subsidiary, and EBN have agreed to use Commercially Reasonable Efforts to complete the Proposed

***Agreement:*** Qualifying Transaction on or before June 30, 2021. See *"Information about the Proposed Qualifying Transaction – Amended and Restated Amalgamation Agreement"*.

***Consolidation:*** The Consolidation involves a reduction in the number, but a proportionate increase in the value, of all of the outstanding Shares. Pursuant to the Consolidation, the Corporation will consolidate the outstanding Shares on a 20.75-for-one basis. The Consolidation is a condition precedent to the consummation of the Amalgamation and requires the approval of Shareholders. See *"Information about the Proposed Qualifying Transaction – Consolidation"*.

***EBN Consolidation:*** The EBN Consolidation involves a reduction in the number, but a proportionate increase in the value, of all of the outstanding EBN Shares. Pursuant to the EBN Consolidation, EBN will consolidate the outstanding EBN Shares on a five-for-one basis. The EBN Consolidation is a condition precedent to the consummation of the Amalgamation and requires the approval of EBN Shareholders. See *"Information about the Proposed Qualifying Transaction – EBN Consolidation"*.

***Amalgamation:*** Immediately after the Consolidation and EBN Consolidation, the Subsidiary and EBN will complete the Amalgamation and continue as one corporation. Pursuant to the Amalgamation, the EBN Shareholders will exchange all of their outstanding EBN Shares for Resulting Issuer Shares, on the basis of one Resulting Issuer Share for each one EBN Share held, after which the outstanding EBN Shares will be cancelled. The Amalgamation requires the approval of the Corporation, in its capacity as the sole shareholder of the Subsidiary, and the approval of EBN Shareholders. See *"Information about the Proposed Qualifying Transaction – Amalgamation"*.

***Option, Warrant and Note Exchange:*** Immediately after the Amalgamation: (a) the EBN Optionholders will exchange all of their outstanding EBN Options for Resulting Issuer Options, on the basis of one Resulting issuer Option for each one EBN Option held, after which the EBN Options will be cancelled; (b) the EBN Warrantholders will exchange all of their outstanding EBN Warrants for Resulting Issuer Warrants, on the basis of one Resulting issuer Warrant for each one EBN Warrant held, after which the EBN Warrants will be cancelled; (c) the EBN Convertible Debtholders will exchange the outstanding EBN Convertible Loan (CAD) for the Resulting Issuer Convertible Loans (CAD), after which the Resulting Issuer Convertible Loans (CAD) will be cancelled; and (d) the EBN Convertible Debtholders will exchange the outstanding EBN Convertible Loan (USD) for the Resulting Issuer Convertible Loan (USD), after which the Resulting Issuer Convertible Loan (USD) will be cancelled. See *"Information about the Proposed Qualifying Transaction – Option, Warrant and Note Exchange"*.

***Closing Date:*** Closing of the Proposed Qualifying Transaction is subject to the satisfaction or waiver of certain conditions as more particularly set out in the Amended and Restated Amalgamation Agreement and is expected to occur on June 11, 2021. See *"Information about the Proposed Qualifying Transaction"*.

**RESULTING ISSUER**

***Corporate structure:*** After the consummation of the Proposed Qualifying Transaction and Offering, the full corporate name of the Resulting Issuer will be "CE Brands Inc." The Resulting Issuer's head office will be located at 301, 1321 Blanshard Street, Victoria, BC V8W 0B6, and Resulting Issuer's registered office will be located at 1400, 350 – 7th Avenue S.W., Calgary, AB T2P 3N9.

***Directors:*** After the consummation of the Proposed Qualifying Transaction and Offering, the Resulting Issuer Directors will be as follows:

***Craig Smith, Chair –*** Mr. Smith has been the Chair of EBN since its incorporation and is its Chief Executive Officer. He has 25 years of direct experience in the areas of consumer electronics, licensing, and distribution. Mr. Smith has cultivated an extensive global network of relationships in brand licensing and contract manufacturing, securing brand-licensing agreements with companies such as Microsoft, Skype, Samsung, Sony, Motorola, and Kodak. With hands-on experience of living in China, Europe, and North America, Mr. Smith is well-versed in international trade and regulations. Prior to

EBN, Mr. Smith previously launched successful direct to consumer electronics brands in the gaming and video industry and is a key driving force behind the product and brand strategy of EBN. He holds a MSc in Mechanical Engineering from Kingston University.

***Joanne Hruska –*** Ms. Hruska has over 25 years of finance experience. She is currently the Capital Markets and ESG Strategist at Integral Wealth Securities Limited, an IIROC-licensed firm, and is on the board of Vitreous Glass Inc. (TSXV:VCI), a waste glass recycling company that is part of the process of turning empty bottles into fibreglass insulation. Previously, she was an award-winning investment manager with Aston Hill Financial Inc., a publicly-traded firm with over $1 billion in assets under management. Ms. Hruska was previously a Director of Blackpearl Resources Inc. (TSX:PXX), an energy company, where she sat on the Audit and Reserves Committee. She also held positions with Plexus Technology Corporation (Director), a technology company, Corptex Systems Ltd. (Advisory Board Member), also a technology company, and was a director of four different reporting issuers that were part of the Catapult/Aston Hill funds. Between 2012 and 2018 Joanne served on the boards of the Glencoe Club and Glencoe Golf & Country Club, as well as the Calgary Ladies Golf Association between 2015 and 2016. Ms. Hruska graduated from the University of Calgary with a major in Finance and has both the Chartered Financial Analyst and the Institute of Corporate Directors, Director designations.

***Hugh Tyler Rice –*** Mr. Rice is a Founding Partner of Rice & Company LLP, an accounting firm that focuses on boutique advisory and accounting services to start-ups, high-growth organizations, and entities operating in multiple jurisdictions both domestically and abroad. He also served as a Director and the President and Chief Executive Officer of Cassiar Gold Corp. (TSXV:GLDC), a mining company, from July 2013 to December 2020, and currently is its Senior Advisor of Corporate Affairs. He is also a Director and/or Treasurer of the following organizations: Community Futures Central Kootenays, West Kootenay Boundary Community Investment Co-op, Chamber of Mines of Eastern B.C., the Columbia Institute for Renewable Energy. In addition to being a CPA, CA, Mr. Rice holds a Masters in Professional Accounting from the University of Saskatchewan and a Bachelor of Management from University of Lethbridge. An active community member, Tyler was recently honoured as the 2020 Volunteer of the Year by Community Futures of Central Kootenays.

***Stephen Smith –*** Mr. Smith currently serves on the Board of Directors of MAV Beauty Brands Inc., a consumer discretionary company, as Audit Committee Chair, Freshii Inc., a consumer discretionary company, and Organigram Holdings Inc., a consumer staples company. He has also served on the Board of Directors, Audit Committee and the Executive Committee for CST Brands, Inc., a consumer staples company (recently acquired by Alimentation Couche-Tard), was recently an Advisory Board member of Jackman Reinvention Inc., a brand strategy consultancy in Toronto. He was also the Lead Director and Chair of the Audit Committee for Newstrike Brands Ltd., a consumer staples company, which went on to sell to HEXO Corp. His executive experience includes serving as an Executive Vice President with Loblaw Companies Ltd., a consumer staples company, and CFO, later Co-CEO, of Cara Operations Ltd., a consumer discretionary company.

***Jared Wolk –*** Mr. Wolk is the portfolio manager of Vesta Wealth Partners Ltd. (formerly Genn Family Office), a leading investment firm in western Canada. In 2018, his team received the Multi-Family Office Team of the Year award from the Society of Trust and Estate Practitioners, an international organization of 20,000 members representing 95 jurisdictions. He also sits on the board of Kleos Microfinance Group, a non-profit organization, and is a director of the General Partner of Cerulean Private Equity Access Funds, a private equity fund of funds. Mr. Wolk holds a BA from the University of Calgary and an MSc (Finance) from Simon Fraser University. He also holds the Chartered Alternative Investment Analyst designation and holds the Chartered Financial Analyst designation.

***Wong Wing Kiong –*** Mr. Wong has been an EBN Director since November 21, 2019, and Chief Product Officer of EBN since February 1, 2019. He has been in the electronics industry for the last 25 years. He started his career as a software engineer, programming micro-controllers for Panasonic audio devices. He then went on to hold various positions at Philips Semiconductors, Inc., a technology company,

including senior marketing manager in the Zurich office. During his stint in Zurich, his team created the world's first one-chip DECT IC. In 2008, he created a start-up company developing state-of-the-art baby monitors for various original design manufacturers such as Summer Infant, Levana, and Motorola. In 2017, Mr. Wong started Cinatic, which was acquired by EBN in 2019. He graduated from the National University of Singapore with a degree in Electrical & Electronics Engineering.

***Officers:*** After the consummation of the Proposed Qualifying Transaction and Offering, the officers of the Resulting Issuer will be as follows:

***Craig Smith, Chief Executive Officer –*** See above.

***Ernest Levenson, President –*** Mr. Levenson has been the President of EBN since April 1, 2020. He has 15 years of executive experience at Vtech Communications Inc., a wholly-owned subsidiary of Vtech Holdings Limited, a global supplier of electronic learning products, as its President and VP of Operations. His work at Vtech led it to become the number one market-share leader in the global Baby Monitor category, generating over 260% e-commerce revenue growth across major retailer websites in less than three years. Prior to Vtech, he was the Chief Operating Officer of HomeRelay Communications, Inc., a telecommunications company, overseeing budget planning, contract management, engineering, day-to-day network operations, billing, customer support, quality assurance, and production. He also possesses significant experience in information technology as the Director of IT and Business Development for Verizon Communications Inc., a global telecommunications company, where he created and managed the strategic direction and IT team for Verizon's web presence and managed the programming and operations staff to support the R&D centres. Mr. Levenson holds an M.B.A from Babson College and a B.A. from Connecticut College.

***Kalvie Legat, Chief Financial Officer and Executive Vice President, Head of Corporate Development –*** Mr. Legat has held various executive roles since joining EBN on November 1, 2018. He has over 15 years of experience in finance and capital markets. He began his career in 2004 with the investment dealer Canaccord Capital Inc., and thereafter, the investment dealers MGI Securities Inc., Jennings Capital Inc., and Integral Wealth Securities Limited, with a focus on institutional sales for small- to mid-cap issuers. Mr. Legat holds a Bcrim from Mount Royal University.

***Katica Viskovic, Chief Operating Officer –*** Ms. Viskovic has been the Chief Operating Officer of EBN since 2018. She has significant experience building and managing global teams remotely. Prior to her current position, she served as the Supply Chain Manager for EBN. She began her career as a supply chain officer and has ten years of experience in international supply chain management and client onboarding, overseeing and managing the overall supply chain and logistics strategy of EBN. Ms. Viskovic holds a bachelor degree from the Faculty of Political Science in Zagreb University in Croatia.

***Adam Rock, Corporate Secretary –*** Mr. Rock was Corporate Secretary of EBN from March 23, 2020, to December 8, 2020. He is a partner of Nerland Lindsey LLP, a Canadian law firm, and has practiced corporate law, with a focus on corporate finance and mergers and acquisitions, since 2006. Mr. Rock holds an LLB from the University of Toronto and is called to the bar in the Province of Alberta.

***Chris Taylor, Vice President, Finance*** – Mr. Taylor has been the Vice President, Finance of EBN since January 2021. He has over ten years of experience in accounting, finance, and tax in a variety of industries. Previously, he was the Supervisor, Financial Reporting at Jupiter Resources Ltd., an energy company, from 2017 to 2021. Prior to Jupiter, Mr. Taylor was at Bellatrix Exploration Ltd., an energy company, Petrus Resources Ltd., an energy company, and at KPMG LLP, an international accounting firm. Mr. Taylor graduated from the University of British Columbia with a Bachelor of Commerce degree in Accounting and is a Chartered Professional Accountant.

***Wong Wing Kiong, Chief Product Officer –*** See above.

***Description of the*** After the consummation of the Proposed Qualifying Transaction and Offering, the Resulting Issuer will

***Business:*** carry on the current business of EBN, namely developing, manufacturing, and distributing consumer electronics in partnership with globally recognized brands. EBN uses proprietary market data to identify gaps and opportunities in global markets, creates products to fill those gaps, and leverages brands to accelerate product sales. EBN and its management have been the research and development team and online-sales team behind more than 30 products, and have partnered with brands such as Kodak, LG, Motorola, Panasonic, Sharp, and Skype. See *"Information about the Resulting Issuer – Description of the Business"*.

***Pro Forma Financial Information:*** The following table summarizes certain *pro forma* financial information of the Resulting Issuer as at November 30, 2020, after giving effect to the Offering and the Proposed Qualifying Transaction. This financial information was derived from the Pro Forma Financial Statements and should be read together with the Pro Forma Financial Statements, copies of which are attached as Schedule B.

| Item | Assuming Offering | Assuming Offering and Over-Allotment Option |
|---|---:|---:|
| Total assets | $27,427,575 | $29,497,575 |
| Total liabilities | $15,260,372 | $15,260,372 |

**RISK FACTORS** An investment in the Subscription Receipts is subject to a number of risk factors that should be carefully considered by Purchasers. Purchasers should review and evaluate the risk factors described in the prospectus and the other information included in this prospectus before purchasing the Subscription Receipts. Such risk factors are not the only risks to which the Resulting Issuer will be subject. If any of such risks actually occur, the business of the Resulting Issuer may be harmed and the financial condition and results of operations of the Resulting Issuer may significantly suffer. In that event, the trading price of the Resulting Issuer could decline and a Purchaser may lose all or part of its investment. See *"Information about the Offering – Risk Factors"*.

# INFORMATION ABOUT THE CORPORATION

## CORPORATE STRUCTURE

### Name, Address, and Incorporation

The full corporate name of the Corporation is "CE Brands Inc." The Corporation was incorporated and organized on October 15, 2018, under the ABCA, and the address of its head and registered office is 1400, 350 – 7th Avenue S.W., Calgary, Alberta T2P 3N9. For a description of the full corporate name and the addresses of the head and registered offices of the Resulting Issuer after giving effect to the Offering and the Proposed Qualifying Transaction, see *"Information about the Resulting Issuer – Corporate Structure".*

### Intercorporate Relationships

The Corporation has one wholly-owned subsidiary, the Subsidiary, which was incorporated on December 11, 2019, under the BCBCA, for the sole purpose of participating in the Proposed Qualifying Transaction. See *"Information about the Proposed Qualifying Transaction – Amalgamation".* For a description of the relationships that will exist between the Resulting Issuer and its Subsidiaries after giving effect to the Offering and the Proposed Qualifying Transaction, see *"Information about the Resulting Issuer – Corporate Structure".*

## DESCRIPTION OF THE BUSINESS

The Corporation is a CPC. The CPC program is a two-stage process that was designed by the TSXV as a vehicle to provide corporations with an opportunity to obtain financing earlier in their development than might be possible with a traditional initial public offering of securities.

In the first stage of the CPC program, a newly-incorporated corporation that has no assets, other than cash, and has not commenced commercial operations, files a long form prospectus with Securities Regulatory Authorities and the TSXV; completes an initial public offering of its common shares; and lists its common shares on the TSXV. The Corporation completed the first stage of the CPC program on May 23, 2019. See "*Information about the Corporation – General Development of the Business – History"*.

In the second stage of the CPC program, the newly incorporated corporation, or CPC, uses the proceeds from its initial public offering of common shares to identify and evaluate assets and business with a view to completing a Qualifying Transaction. A Qualifying Transaction involves the acquisition of one or more assets or businesses that, when acquired, together with any other concurrent transactions, results in the CPC satisfying the initial listing requirements of the TSXV in Policy 2.1.

Upon Closing, the Corporation expects to qualify as a Tier 2 issuer in the "Industrial" industry segment.

The TSXV usually requires a CPC that identifies an asset or business with a view to completing a Qualifying Transaction to prepare a CPC Filing Statement or CPC Information Circular. However, if the CPC is a reporting issuer in the Province of Ontario and its Qualifying Transaction involves the acquisition of an asset or business, a significant portion of which is not located in Canada or the United States, then the Qualifying Transaction must be undertaken using a long form prospectus as the disclosure document. The Amalgamation involves the acquisition of an asset or business, namely the business of EBN, a significant portion of which is not located in Canada or the United States. As a result, the Corporation is using this prospectus as its disclosure document. See *"Information about EBN – Description of the Business"* and *"Information about the Proposed Qualifying Transaction – Amalgamation"*.

For a description of the business of the Resulting Issuer after giving effect to the Offering and the Proposed Qualifying Transaction, see *"Information about the Resulting Issuer – Description of the Business".*

## GENERAL DEVELOPMENT OF THE BUSINESS

### History

The following table discloses the general development of the business and affairs of the Corporation and its progression through the CPC program.

| | |
|---|---|
| **October 15, 2018:** | David Henderson, a Director and the President and Chief Executive Officer of the Corporation, incorporated the Corporation under the laws of the Province of Alberta. |
| **May 15, 2019:** | The Corporation completed its IPO of 5,000,000 Shares, at an offering price of $0.10 per Share, for gross proceeds of $500,000.00. The Corporation also granted 500,000 IPO Options to investment dealers for services rendered in connection with the IPO. |
| **May 23, 2019:** | The Shares were listed on the TSXV and commenced trading under the symbol "CEBI.P". |
| **June 17, 2019:** | The Corporation and EBN executed the Letter of Intent, which stated the terms under which they would be prepared to complete a Qualifying Transaction. See *"Information about the Proposed Qualifying Transaction – Background"*. |
| **June 18, 2019:** | The TSXV halted trading of the Shares pending the dissemination of the press release announcing the execution of the Letter of Intent. On June 11, 2019, the last day the Shares traded before the trading halt, the closing price of the Shares was $0.245 per Share. |
| **March 12, 2020:** | The Corporation, Subsidiary, and EBN executed the Amalgamation Agreement. The Corporation intends the Amalgamation to constitute its Qualifying Transaction. |
| **March 27, 2020:** | The Corporation, Subsidiary, and EBN executed Amendment No. 1. See *"Information about the Proposed Qualifying Transaction – Amalgamation Agreement"*. |
| **October 13, 2020:** | The Corporation, Subsidiary, and EBN executed Amendment No. 2. See "*Information about the Proposed Qualifying Transaction – Amalgamation Agreement"*. |
| **January 28, 2021:** | The Corporation, Subsidiary, and EBN executed the Amended and Restated Amalgamation Agreement. See "*Information about the Proposed Qualifying Transaction – Amended and Restated Amalgamation Agreement*". |
| **March 26, 2021:** | The Corporation, Subsidiary, and EBN executed Amendment No. 3. See "*Information about the Proposed Qualifying Transaction – Amended and Restated Amalgamation Agreement"*. |

### Material Restructuring Transactions

Neither the Corporation nor the Subsidiary has completed any material restructuring transaction since its incorporation. In addition, no material restructuring transaction is proposed for the current financial year of the Corporation other than as described in this prospectus. For a description of the general development of the business of the Resulting Issuer after giving effect to the Offering and the Proposed Qualifying Transaction, see *"Information about the Resulting Issuer – General Development of the Business".*

### Bankruptcy, Receivership, or Similar Proceedings

There have been no bankruptcy, receivership or similar proceedings against the Corporation or Subsidiary, or any voluntary bankruptcy, receivership, or similar proceedings by the Corporation or Subsidiary, since incorporation. Furthermore, no bankruptcy, receivership or similar proceedings against the Corporation or Subsidiary, and no voluntary bankruptcy, receivership, or similar proceedings by the Corporation or Subsidiary is proposed for the current financial year of the Corporation. For similar disclosure concerning the Resulting Issuer after giving effect to the Offering and the Proposed Qualifying Transaction, see *"Information about the Resulting Issuer – Description of the Business – Bankruptcy, Receivership, or Similar Proceedings".*

**SELECTED FINANCIAL INFORMATION**

The following tables summarize certain financial information of the Corporation for the three and nine months ended November 30, 2020, and for the period from incorporation to February 29, 2020. This financial information was derived from the Interim Financial Statements and Annual Financial Statements and should be read with the Interim Financial Statements and Annual Financial Statements, copies of which are attached as Schedule C and Schedule E, respectively, and management's discussion and analysis of the Corporation for the three and nine months ended November 30, 2020, and management's discussion and analysis of the Corporation for the year ended February 29, 2019, and the period from October 15, 2018, to February 28, 2019, copies of which are attached as Schedule D and Schedule F, respectively.

| Item | As at November 30, 2020 (Unaudited) | As at February 29, 2020 (Audited) | As at February 28, 2019 (Audited) |
|---|---|---|---|
| Total assets | $217,774 | $302,631 | $191,515 |
| Total liabilities | $6,076 | $6,152 | $11,515 |

| Item | Nine months ended November 30, 2020 (Unaudited) | Year ended February 29, 2020 (Audited) | Year ended period from October 15, 2018, to February 28, 2019 (Audited) |
|---|---|---|---|
| Revenue | $- | $- | $- |
| Expenses | $46,414 | $320,634 | $- |
| Net loss and comprehensive loss | $46,414 | $320,634 | $- |
| Basic and diluted loss per share | $(0.01) | $(0.08) | $- |

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Copies of the management's discussion and analysis of the Corporation for the three and nine months ended November 30, 2020, and management's discussion and analysis of the Corporation for the year ended February 28, 2020, and the period from October 15, 2018, to February 28, 2019, are attached as Schedule D and Schedule F, respectively.

**AUTHORIZED SHARE CAPITAL**

The authorized share capital of the Corporation consists of an unlimited number of common shares (i.e., the Shares) and an unlimited number of preferred shares, issuable in series. For information about the authorized share capital of the Resulting Issuer after giving effect the Proposed Qualifying Transaction and Offering, see *"Information about the Resulting Issuer – Description of Share Capital"*.

**Shares**

As at the date of this prospectus, there are 8,600,000 Shares outstanding. See *"Information about the Corporation – Consolidated Capitalization"*. Each Share entitles the holder to: (a) one vote at all meetings of Shareholders (and written actions in lieu of meetings); (b) subject to the rights, privileges, restrictions, and conditions attaching to any other class or series of shares of the Corporation, receive dividends if, as, and when declared by the Board; and (c) subject to the rights, privileges, restrictions, and conditions attaching to any other class or series of shares of the Corporation, receive its proportionate share of the remaining property of the Corporation upon a liquidation, dissolution, or wind-up of the Corporation, whether voluntary or involuntary.

Pursuant to the Consolidation, the Corporation will consolidate the Shares on a 20.75-for-one basis immediately before the Amalgamation. See *"Information about the Proposed Qualifying Transaction – Consolidation"*.

**Preferred Shares**

As at the date of this prospectus, there are nil preferred shares issued and outstanding. See *"Information about the Corporation – Consolidated Capitalization"*. The Board has the power to create different series of preferred shares, and determine the rights, privileges, restrictions, and conditions attaching to the preferred shares of each series, including, without limiting the generality of the foregoing, dividend and liquidation preferences over any other class or series of shares of the Corporation.

**DIVIDENDS OR DISTRIBUTIONS**

Since incorporation, the Corporation has not declared any cash dividends or distributions on the Shares. There are no restrictions that could prevent the Corporation from paying cash dividends or distributions on the Shares, other than the restrictions in the ABCA, which provide that the Corporation must not declare or pay a dividend if there are reasonable grounds for believing that the Corporation is, or would after the payment be, unable to pay its liabilities as they become due, or the realizable value of the assets of the Corporation would thereby be less than the aggregate of its liabilities and stated capital of all classes.

The Corporation has no dividend or distribution policy and has no present intention of declaring or paying any dividends or distributions. For a description of the dividend or distribution policy of the Resulting Issuer after giving effect to the Offering and the Proposed Qualifying Transaction, see *"Information about the Resulting Issuer – Dividends or Distributions"*.

**CONSOLIDATED CAPITALIZATION**

The following table discloses the consolidated capitalization of the Corporation, on a consolidated basis, as at the date of this prospectus.

| Share/Loan Capital | Authorized Amount | Outstanding |
|---|---|---|
| Common shares (i.e., the Shares)(1) | Unlimited | 8,600,000 |
| Preferred shares(2) | Unlimited | Nil |
| Options(4) | N/A(3) | 860,000 |
| IPO Options(5) | N/A | 500,000 |

Notes:

(1) For a description of the terms of the Shares, see *"Information about the Corporation – Authorized Share Capital"*. Pursuant to the Consolidation, the Corporation will consolidate the Shares on a 20.75-for-one basis immediately before the Amalgamation. See *"Information about the Proposed Qualifying Transaction – Consolidation"*.

(2) For a description of the terms of the preferred shares, see *"Information about the Corporation – Authorized Share Capital"*.

(3) For a description of the Options, see *"Information about the Corporation – Executive Compensation – Stock Options and Other Compensation Securities".* The Corporation will adjust the number of outstanding Options to reflect the Consolidation. See *"Information about the Proposed Qualifying Transaction – Consolidation"*.

(4) The Corporation granted all of the Options under the Option Plan. The Option Plan is a "rolling stock option plan", which means that the total number of Options granted under the Option Plan cannot exceed 10% of the outstanding Shares, calculated on the date of each grant. See *"Information about the Corporation – Executive Compensation – Stock Options and Other Compensation Securities".*

(5) The Corporation granted the IPO Options to investment dealers for services rendered in connection with the IPO. Each IPO Option entitles the holder to purchase one Share, at a purchase price of $0.10, for a period of 24 months

following the date on which the Shares began trading on the TSXV. The Corporation will adjust the number of outstanding IPO Options to reflect the Consolidation. See *"Information about the Proposed Qualifying Transaction – Consolidation"*.

For a description of the consolidated capitalization of the Resulting Issuer after giving effect to the Proposed Qualifying Transaction and Offering, see *"Information about the Resulting Issuer – Consolidated Capitalization"*.

**PRIOR SALES**

The following table discloses, since incorporation, the number of Shares issued or sold, the price at which Shares were issued or sold, and the date on which the Shares were issued or sold.

| Number of Shares | Issue Price per Share | Date |
|---|---|---|
| 1(1) | $0.05 | October 15, 2018 |
| 3,400,000(2) | $0.05 | November 30, 2018 |
| 200,000(3) | $0.05 | December 6, 2018 |
| 5,000,000(4) | $0.10 | May 15, 2019 |

Notes:

(1) The Corporation re-purchased this Share, for a purchase price of $0.05, and then cancelled this Share, on November 30, 2018.

(2) The Corporation issued a total of 100,000 Shares to Andre Sullivan, a member of the Aggregate Pro Group, as part of this issuance.

(3) The Corporation issued these Shares to Joanne Hruska, a member of the Aggregate Pro Group.

(4) The Corporation issued all of these Shares pursuant to the IPO. See *"Information about the Corporation – General Development of the Business – History"*.

**Trading Price and Volume**

On May 23, 2019, the Shares commenced trading on the TSXV under the symbol "CEBI.P". On June 18, 2019, the TSXV halted trading in the Shares pending the dissemination of the press release announcing the execution of the Letter of Intent. On June 11, 2019, the last day the Shares traded before the trading halt, the closing price of the Shares was $0.245 per Share.

The following table discloses the price ranges and the volume of Shares traded on the TSXV.

| Month | Low ($) | High ($) | Volume |
|---|---|---|---|
| May 2019(1) | 0.200 | 0.340 | 377,278 |
| June 2019(2) | 0.200 | 0.245 | 70,000 |

Notes:

(1) The TSXV listed the Shares on May 23, 2019. See *"Information about the Corporation – General Development of the Business – History"*.

(2) The TSXV halted trading in the Shares on June 17, 2019, pending the dissemination of the press release announcing the execution of the Letter of Intent. See *"Information about the Corporation – General Development of the*

*Business – History".*

**ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER**

**Summary**

The following table discloses, as at the date of this prospectus, the number of Shares held, to the knowledge of the Corporation, in escrow or that are subject to a contractual restriction on transfer and the percentage that number represents of the outstanding Shares.

| Name, Province, and Country of Residence of Shareholders | Number of Shares held | Number of Shares held in Escrow[1] | Percentage of Outstanding Shares |
|---|---|---|---|
| Sandra Foster<br>Manitoba, Canada | 500,000 | 500,000 | 5.8% |
| David Henderson<br>Ontario, Canada | 500,000 | 500,000 | 5.8% |
| Eric Holle<br>Alberta, Canada | 450,000 | 450,000 | 5.2% |
| Joanne Hruska<br>Alberta, Canada | 200,000 | 200,000 | 2.3% |
| Robert Knowles<br>Alberta, Canada | 100,000 | 100,000 | 1.2% |
| Craig Latimer<br>Alberta, Canada | 200,000 | 200,000 | 2.3% |
| Bruce Mitchell<br>Ontario, Canada | 500,000 | 500,000 | 5.8% |
| Brian Prokop<br>Alberta, Canada | 500,000 | 500,000 | 5.8% |
| Craig Smith<br>Guanacaste Province, Costa Rica | 100,000 | 100,000 | 1.2% |
| Huxby Holdings Ltd.[2]<br>British Columbia, Canada | 250,000 | 250,000 | 2.9% |
| Andre Sullivan<br>British Columbia, Canada | 100,000 | 100,000 | 1.2% |
| Patrick Sullivan<br>British Columbia, Canada | 100,000 | 100,000 | 1.2% |
| Connor Tobin<br>British Columbia, Canada | 100,000 | 100,000 | 1.2% |
| **Totals** | **3,600,000** | **3,600,000** | **41.9%** |

Notes:

(1) The Corporation issued these Shares at a purchase price of $0.05 per Share. These Shares are held in escrow pursuant to Policy 2.4 and the CPC Escrow Agreement. See *"Information about the Corporation – Escrowed Securities and Securities subject to contractual restriction on transfer – CPC Escrow Agreement".*

(2) This corporation is controlled by Robinson Smith, an individual residing in the Province of British Columbia, Canada. Policy 2.4 provides that, if escrowed securities of a CPC are held by a corporation, then the corporation must not carry out any transactions that would result in a change of control of the corporation without the consent of the TSXV. In addition, the TSXV requires an undertaking from any Control Persons of the corporation not to transfer shares of the corporation.

For a summary of the securities of the Resulting Issuer held in escrow or subject to a contractual restriction on transfer after giving effect to the Offering and the Proposed Qualifying Transaction, see *"Information about the Resulting Issuer – Escrowed Securities and Securities Subject to Contractual Restriction on Transfer"*.

**CPC Escrow Agreement**

All of the Shares that the Corporation issued before its IPO are held in escrow pursuant to Policy 2.4 and the CPC Escrow Agreement. The following securities are also subject to escrow in accordance with the terms of the CPC Escrow Agreement:

(a) any securities of the Corporation that the Corporation issues after the IPO, but before issuance of the Final TSXV Bulletin, at a price of less than $0.10 per Share;

(b) any securities of the Corporation that the Corporation issues after the IPO, but before issuance of the Final TSXV Bulletin, to a Non-Arm's Length Party (as determined post-IPO);

(c) any securities of the Corporation that a Control Person acquires in the secondary market before the completion of a Qualifying Transaction; and

(d) any securities of the Corporation that a member of the Aggregate Pro Group acquires before the completion of a Qualifying Transaction.

Subject to certain limited exceptions, the CPC Escrow Agreement prohibits a Shareholder from selling, transferring, assigning, mortgaging, entering into a derivative transaction concerning, or otherwise dealing in any way with, any escrowed Shares unless the Shareholder obtains the prior written consent of the TSXV. A Shareholder may sell, assign, or transfer escrowed Shares to incoming Promoters, Directors, Officers, other Insiders, or Control Persons in connection with a Qualifying Transaction, and subject to TSXV acceptance, a Principal may pledge, mortgage, or charge escrowed Shares to a financial institution as collateral for a loan on the condition that the Principal does not transfer or deliver any escrowed Shares or any share certificates or other evidence of escrowed Shares to the financial institution for this purpose.

If, following the completion of the Proposed Qualifying Transaction, the Resulting Issuer qualifies as a Tier 2 issuer on the TSXV, 10% of the escrowed Resulting Issuer Shares will be released from escrow on the issuance of the Final TSXV Bulletin and an additional 15% will be released on the dates six months, 12 months, 18 months, 24 months, 30 months, and 36 months following the issuance of the Final TSXV Bulletin. If the Resulting Issuer qualifies as a Tier 1 issuer on the TSXV, the QT Escrow Agreement provides that 25% of the escrowed Resulting Issuer Shares will be released from escrow on the issuance of the Final TSXV Bulletin and an additional 25% will be released on the dates six months, 12 months, and 18 months following the issuance of the Final TSXV Bulletin. The Corporation expects to qualify as a Tier 2 issuer.

The CPC Escrow Agreement irrevocably authorizes and directs the Escrow Agent to: (a) immediately cancel all escrowed Shares upon the issuance of a TSXV bulletin delisting the Corporation from the TSXV; or (b) where the Corporation is moved to NEX, the market on which former TSXV and Toronto Stock Exchange issuers that do not meet TSXV requirements for Tier 2 issuers may continue to trade, immediately cancel the number of escrowed Shares held by Non-Arm's Length Parties as determined by Shareholders at a special meeting of the Shareholders. The CPC Escrow Agreement provides an irrevocable authorization and direction to the Escrow Agent to cancel all escrowed Shares on a date that is ten years from the date the TSXV issues a TSXV bulletin delisting the CPC.

The CPC Escrow Agreement irrevocably authorizes and directs the Escrow Agent to: (a) immediately cancel all escrowed Shares upon the issuance of a TSXV bulletin delisting the Corporation from the TSXV; or (b) where the Corporation is moved to NEX, the market on which former TSXV and Toronto Stock Exchange issuers that do not meet TSXV requirements for Tier

2 issuers may continue to trade, immediately cancel the number of escrowed Shares held by Non-Arm's Length Parties as determined by Shareholders at a special meeting of the Shareholders. The CPC Escrow Agreement provides an irrevocable authorization and direction to the Escrow Agent to cancel all escrowed Shares on a date that is ten years from the date the TSXV issues a TSXV bulletin delisting the CPC.

**PRINCIPAL SECURITYHOLDERS**

To the knowledge of the Corporation, no Person or Company beneficially owns, or controls or directs, directly or indirectly, Shares carrying 10% or more of the voting rights attached to all the outstanding Shares. For information about the principal securityholders of the Resulting Issuer after giving effect to the Offering and the Proposed Qualifying Transaction, see *"Information about the Resulting Issuer – Principal Securityholders"*.

**DIRECTORS AND OFFICERS**

**Name, Occupation, and Security Holding**

The following table discloses certain information about the Directors and executive officers of the Corporation.

| Name, Province, and Country of Residence | Role with the Corporation | Date of Election/ Appointment as Director | Present Occupation and Principal Occupation for Past Five Years | Shares Held[1] | Percentage of Shares Held |
|---|---|---|---|---|---|
| David Henderson Ontario, Canada | Director, President and Chief Executive Officer | October 15, 2018 | Director of Geoscience at Enersoft Inc., a geosciences company. Prior thereto, General Manager, Geoscience, at Bureau Veritas Minerals Pty Ltd., and Maxxam Analytics Inc., energy and environmental services companies. | 500,000 | 5.8% |
| Eric Holle[2] Alberta, Canada | Director | October 15, 2018 | Product Manager at Neo Financial Technologies Inc., a financial technology company, and prior thereto Product Manager, Project Manager, and Operations Manager, at SkipTheDishes Restaurant Services Inc., an e-commerce company. | 450,000 | 5.2% |
| Joanne Hruska Alberta, Canada | Director, Corporate Secretary | December 6, 2018 | Capital Markets and ESG Strategist, Integral Wealth Securities Limited, a registered investment dealer. Prior thereto, Portfolio Manager, at Aston Hill Financial Inc., an asset management firm. | 200,000 | 2.3% |
| Craig Latimer[2] Alberta, Canada | Director | October 15, 2018 | Chief Executive officer at Katal Energy Inc., an alternative energy company. Prior thereto, Co-Founder and Vice President of Spira Data Corp., a software company. | 200,000 | 2.3% |

| Name, Province, and Country of Residence | Role with the Corporation | Date of Election/ Appointment as Director | Present Occupation and Principal Occupation for Past Five Years | Shares Held[1] | Percentage of Shares Held |
|---|---|---|---|---|---|
| Brian Prokop<br>Alberta, Canada | Director, Chief Financial Officer | October 15, 2018 | Chief Executive Officer and Chief Compliance Officer, Link Plan Management Inc., a registered portfolio manager. Prior thereto, Managing Director, Integral Wealth Securities Limited, a registered investment dealer. Prior thereto, Chief Executive Officer, Argent Energy Trust, an oil and gas producer. | 500,000 | 5.8% |
| Robinson Smith[2][3]<br>British Columbia, Canada | Director | October 15, 2018 | Independent businessman. Prior thereto, Investment Advisor, Integral Wealth Securities Limited, a registered investment dealer. | 250,000 | 2.9% |

Notes:

(1) These Shares are subject to escrow pursuant to Policy 2.4 and the CPC Escrow Agreement. See *"Information about the Corporation – Escrowed Securities and Securities Subject to Contractual Restriction on Transfer – CPC Escrow Agreement"*.

(2) Member of the Audit Committee. See *"Information about the Corporation – Corporate Governance – Audit Committee – Composition"*.

(3) These Shares are registered in the name of Huxby Holdings Ltd.

As a group, the Directors and Officers beneficially own, or control or direct, directly or indirectly, 2,100,000 Shares, representing 24.4% of the outstanding Shares.

For similar disclosure about the Resulting Issuer Directors and Resulting Issuer Officers after giving effect to the Proposed Qualifying Transaction and Offering, see *"Information about the Resulting Issuer – Directors and Officers – Name, Occupation, and Security Holding"*.

**Cease Trade Orders, Bankruptcies, Penalties, or Sanctions**

No Director or Officer is, as at the date of this prospectus, or was within ten years before the date of this prospectus, a director, chief executive officer, or chief financial officer of any Person or Company (including the Corporation), that: (a) was subject to an Order that was issued while the Director or Officer was acting in the capacity as director, chief executive officer, or chief financial officer; or (b) was subject to an order that was issued after the Director or Officer ceased to be a director, chief executive officer, or chief financial officer and which resulted from an event that occurred while that individual was acting in the capacity as director, chief executive officer, or chief financial officer.

Furthermore, no Director or Officer: (a) is, as at the date of this prospectus, or has been within the ten years before the date of this prospectus, a director or officer of any Person or Company (including the Corporation) that, while that individual was acting in that capacity, or within a year of that individual ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold her or his assets; or (b) has, within the ten years before the date of this prospectus, become bankrupt, made a proposal under any

legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager, or trustee appointed to hold the assets of the Director or Officer.

No Director or Officer has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

For similar disclosure concerning the Resulting Issuer Directors and Resulting Issuer Officers after giving effect to the Offering and the Proposed Qualifying Transaction, see *Information about the Resulting Issuer – Directors and Officers – Cease Trade Orders, Bankruptcies, Penalties, or Sanctions".*

**Conflicts of Interest**

The ABCA requires the Directors and Officers, in exercising their powers and discharging their responsibilities, to act honestly and in good faith with a view to the best interests of the Corporation, and exercise the care, diligence, and skill that a reasonably prudent individual would exercise in comparable circumstances. In addition, the ABCA requires any Director or Officer who is a party to a material contract or material transaction or proposed material contract or proposed material transaction with the Corporation, or is a director or an officer of or has a material interest in any Person or Company that is a party to a material contract or material transaction or proposed material contract or proposed material transaction with the Corporation, to disclose in writing to the Corporation or request to have entered in the minutes of meetings of the Board the nature and extent of the interest.

To the knowledge of the Corporation, there are no existing material conflicts of interest between the Corporation and any Director or Officer. Certain Directors and Officers act as directors and officers of other Persons or Companies. It is possible that material conflicts of interest between the Corporation and those Directors and Officers may arise due to them acting as directors and officers of other Persons or Companies.

For information about conflicts of interest involving the Resulting Issuer Directors and Resulting Issuer Officers after giving effect to the Proposed Qualifying Transaction and Offering, see *"Information about the Resulting Issuer – Directors and Officers – Cease Trade Orders, Bankruptcies, Penalties, or Sanctions"*.

**PROMOTERS**

The following table discloses information about each person who is, or has been within the two years immediately preceding the date of the prospectus, a Promoter of the Corporation:

| Name | Number of Outstanding Shares | Percentage of Outstanding Shares |
|---|---|---|
| David Henderson | 500,000 | 5.8% |

**EXECUTIVE COMPENSATION**

Securities Law requires the Corporation to disclose all the direct and indirect compensation that it provided to the Directors and Named Executive Officers for, or in connection with, the services they provided to the Corporation or Subsidiary for the most recently completed financial year (i.e., the financial year ended February 29, 2020), and the decision-making process relating to that compensation.

**Director and Named Executive Officer Compensation, Excluding Compensation Securities**

The Corporation did not pay any compensation to its Directors or Named Executive Officers for the two most recently completed financial years (i.e., the financial years ended February 29, 2020, and February 29, 2019), other than

compensation disclosed under the heading *Executive Compensation – Stock options and other compensation Securities*, as the policies of the TSXV prohibit the Corporation from paying any compensation to its Directors or Officers, other than Options, until it completes a Qualifying Transaction. For a description of the Compensation, Excluding Compensation Securities, paid by EBN to the individuals who will be Resulting Issuer Directors or Resulting Issuer Named Executive Officers after giving effect to the Proposed Qualifying Transaction and Offering, see *"Information about the Resulting Issuer – Executive Compensation – Director and Named Executive Officer Compensation, Excluding Compensation Securities"*.

**Stock Options and Other Compensation Securities**

The following table discloses all compensation securities granted or issued to each Director and Named Executive Officer of the Corporation in the most recently completed financial year (i.e., the financial year ended February 29, 2020) for services provided or to be provided, directly or indirectly, to the Corporation.

| Name and position | Type of security | Number of underlying securities (and percentage of class)[2] | Date of issue or grant | Exercise price ($) | Closing price of security or underlying security on date of grant ($) | Closing price of security or underlying security at year end ($) | Expiry date[3] |
|---|---|---|---|---|---|---|---|
| David Henderson, Director and President, Chief Executive Officer | Option[1] | 204,680 Shares (23.8%) | May 15, 2019 | $0.10 | $0.10 | N/A | May 15, 2024 |
| Eric Holle, Director | Option[1] | 184,900 Shares (21.5%) | May 15, 2019 | $0.10 | $0.10 | N/A | May 15, 2024 |
| Joanne Hruska, Director and Corporate Secretary | Option[1] | 81,700 Shares (9.5%) | May 15, 2019 | $0.10 | $0.10 | N/A | May 15, 2024 |
| Craig Latimer, Director | Option[1] | 81,700 Shares (9.5%) | May 15, 2019 | $0.10 | $0.10 | N/A | May 15, 2024 |
| Brian Prokop, Director and Chief Financial Officer | Option[1] | 204,680 Shares (23.8%) | May 15, 2019 | $0.10 | $0.10 | N/A | May 15, 2024 |
| Robinson Smith, Director | Option[1] | 102,340 Shares (11.9%) | May 15, 2019 | $0.10 | $0.10 | N/A | May 15, 2024 |

Notes:

(1) The Corporation granted all the Options under the Option Plan. See *"Information about the Corporation – Executive Compensation – Stock Options and Other Compensation Securities"*.

(2) The total number of compensation securities held by each Director and Named Executive Officer of the Corporation on the last day of the most recently completed financial year end (i.e., February 28, 2019) was as follows: (a) David Henderson held 204,680 Options; (b) Eric Holle held 184,900 Options; (c) Joanne Hruska held 81,700 Options; (d) Craig Latimer held 81,700 Options; (e) Brian Prokop held 204,680 Options; and (f) Robinson Smith held 102,340 Options.

(3) All the outstanding Options vest upon the consummation of a Qualifying Transaction. See *"Information about the Corporation – Executive Compensation – Stock Option Plans and Other Incentive Plans"*.

***Stock Option Plans and Other Incentive Plans***

The purposes of the Option Plan are to attract and retain Directors, Officers, employees, and consultants, and align the interests of those Directors, Officers, employees, and consultants with the interests of the Shareholders. Each Option that the Corporation grants under the Option Plan entitles the optionee to purchase one Share on the terms more particularly described below. The Option Plan will continue to be the stock option plan of the Resulting Issuer after giving effect to the Offering and the Proposed Qualifying Transaction. See *"Information about the Resulting Issuer – Executive Compensation – Stock Option Plans and Other Incentive Plans"*.

***Shares Subject to the Option Plan***

The Option Plan is a "rolling" stock option plan, which means that the total number of Options that the Corporation grants under the Option Plan cannot exceed 10% of the outstanding Shares, calculated on the date of each grant. Under the policies of the TSXV, a rolling stock option plan requires Shareholder approval on an annual basis.

***Participation Limits***

The total number of Shares that the Corporation grants under the Option Plan to any one optionee must not exceed 5% of the outstanding Shares, calculated on the date of the grant. Furthermore, the number of Shares that the Corporation grants under the Option Plan in any 12-month period to an optionee who is a Director, Officer, or employee must not exceed 5% of the outstanding Shares, and the number of Shares that the Corporation grants under the Option Plan in any 12-month period to an optionee who is a consultant must not exceed 2% of the outstanding Shares, in each case calculated on the date of the grant.

***Exercise Price***

Before the Corporation completes a Qualifying Transaction, the minimum exercise price of each Option that it grants under the Option Plan must not be less than the greater of $0.10 and the Discounted Market Price of the Shares. After the Corporation completes a Qualifying Transaction, the minimum exercise price of each Option that it grants under the Option Plan must not be less than the Discounted Market Price of the Shares.

***Vesting Date***

No outstanding Option that the Corporation grants under the Option Plan may vest before the Corporation completes a Qualifying Transaction. After the Corporation completes a Qualifying Transaction, it may determine the date or dates on which each Option vests.

***Expiry Date***

The expiry date of an Option that the Corporation grants under the Option Plan must not be more than ten years after its grant date.

**Employment, Management, and Consulting Agreements**

The Corporation is not a party to or bound by any agreement or arrangement under which compensation was provided during its most recently completed financial year (i.e., the financial year ended February 29, 2020) or is payable in respect of services rendered to the Corporation or Subsidiary. For a description of the agreements or arrangements under which compensation was provided during the most recently completed financial year of the Resulting Issuer (i.e., the financial year ended February 29, 2020) or is payable in respect of services rendered to the Resulting Issuer or any of its Subsidiaries, see *"Information about the Resulting Issuer – Executive Compensation – Employment, Management, and Consulting Agreements".*

**Oversight and Description of Director and Named Executive Officer Compensation**

The policies of the TSXV prohibit the Corporation from paying any compensation to its Directors or Officers, other than Options, until it completes a Qualifying Transaction. For a description of the compensation of the individuals who will be the Resulting Issuer Directors and Named Executive Officers of the Resulting Issuer, see *"Information about the Resulting Issuer – Executive Compensation – Employment, Management, and Consulting Agreements".*

**Pension Disclosure**

The Corporation does not provide a pension to any Director or Named Executive Officer. For similar disclosure concerning the Resulting Issuer after giving effect to the Offering and the Proposed Qualifying Transaction, see *"Information about the Resulting Issuer – Executive Compensation – Pension Disclosure".*

**INDEBTEDNESS OF DIRECTORS AND OFFICERS**

None of the Directors, Officers, or employees of the Corporation or former Directors, Officers, or employees of the Corporation or Subsidiary are indebted to (a) the Corporation; or (b) another Person where such indebtedness is the subject of a guarantee, support agreement, letter of credit, or other similar arrangement or understanding provided by the Corporation or Subsidiary. For similar disclosure concerning Resulting Issuer Directors, Resulting Issuer Officers, employees of the Resulting Issuer or former Resulting Issuer Directors, Resulting Issuer Officers, or employees of the Resulting Issuer and its subsidiaries after giving effect to the Proposed Qualifying Transaction and Offering, see *"Information about the Resulting Issuer – Indebtedness of Directors and Officers".*

**CORPORATE GOVERNANCE**

**Board**

The Board is currently composed of six Directors, namely David Henderson, Eric Holle, Joanne Hruska, Craig Latimer, Brian Prokop, and Robinson Smith.

The members of the Board who are independent are Eric Holle, Craig Latimer, and Robinson Smith. The Board considers these members to be independent because they have no direct or indirect relationships with the Corporation that could, in the view of the Board, be reasonably expected to interfere with the exercise of their independent judgment.

The members of the Board who are not independent are David Henderson, Joanne Hruska, and Brian Prokop. The Board considers these members to not be independent because they have direct or indirect relationships with the Corporation that could, in the view of the Board, be reasonably expected to interfere with the exercise of their independent judgment. In particular David Henderson is the President and Chief Executive Officer of the Corporation, Joanne Hruska is the Corporate Secretary of the Corporation, and Brian Prokop is the Chief Financial Officer of the Corporation.

For similar disclosure about the Resulting Board, see *"Information about the Resulting Issuer – Corporate Governance – Resulting Issuer Board".*

**Orientation and Continuing Education**

The Board does not have any formal orientation or continuing education program in place for Directors. However, the Resulting Issuer Board intends to establish formal orientation and continuing education programs for Resulting Issuer Directors after the consummation of the Proposed Qualifying Transaction and Offering. See *"Information about the Resulting Issuer – Corporate Governance – Orientation and Continuing Education"*.

**Ethical Business Conduct**

The Board does not have any formal policy in place to encourage and promote a culture of ethical business conduct. However, the Resulting Issuer Board intends to adopt a formal charter to encourage and promote a culture of ethical business conduct after the consummation of the Proposed Qualifying Transaction and Offering. See *"Information about the Resulting Issuer – Corporate Governance – Ethical Business Conduct"*.

**Nomination of Directors**

The Board does not have any formal process in place to identify new candidates for nomination as Directors. However, the Resulting Issuer Board intends to adopt a formal process to identify new candidates for nomination as Resulting Issuer Directors after the consummation of the Qualifying Transaction and Offering. See *"Information about the Resulting Issuer – Corporate Governance – Nomination of Directors"*.

**Compensation**

The policies of the TSXV prohibit the Corporation from paying any compensation to Directors or Officers, other than Options under the Option Plan, until it completes a Qualifying Transaction. For a summary of the material terms of the Option Plan, see *"Information about the Corporation – Executive Compensation – Stock Option Plans and Other Incentive Plans"*, for a summary of all Options granted, see *"Information about the Corporation – Consolidated Capitalization"*, and for a summary of all Options granted in the most recently completed financial year of the Corporation (i.e., the year ended February 29, 2020), see *"Information about the Corporation – Executive Compensation – Stock Options and Other Compensation Securities"*. For disclosure concerning the compensation of the Resulting Issuer Directors and chief executive officer of the Resulting Issuer after the consummation of the Proposed Qualifying Transaction and Offering, see *"Information about the Resulting Issuer – Corporate Governance – Compensation"*.

**Assessments**

The Board does not have any formal process in place to satisfy itself that its Directors are performing effectively. However, the Resulting Issuer Board intends to adopt a formal process to satisfy itself that the Resulting Issuer Directors are performing effectively after the consummation of the Proposed Qualifying Transaction and Offering. See *"Information about the Resulting Issuer – Corporate Governance – Assessments"*.

**Audit Committee**

The Audit Committee oversees the financial reporting process of the Corporation.

***Composition***

The members of the Audit Committee are Eric Holle, Craig Latimer, and Robinson Smith. The Board considers each member of the Audit Committee to be independent of the Corporation. No such member has any direct or indirect relationship with the Corporation that could, in the view of the Board, be reasonably expected to interfere with the exercise of their independent judgement. In addition, the Board considers each member of the Audit Committee to possess the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Corporation.

The education and experience of each member of the Audit Committee is as follows:

| | |
|---|---|
| **Eric Holle:** | Mr. Holle is the Product Manager at Neo Financial Technologies Inc., a financial technology company, and prior thereto, was the Product Manager, Project Manager, and the Operations Manager of SkiptheDishes Restaurant Services Inc., an e-commerce company. He holds a BComm (Honours) from the University of Manitoba's Asper School of Business. |
| **Craig Latimer:** | Mr. Latimer is the Chief Executive Officer of Katal Energy Inc., an alternative-energy company. Prior thereto, he was a co-founder and Vice President of Spira Data Corp., a software company. Mr. Latimer currently serves on the boards of directors of Iridium Risk Services Inc., Macleod Builders and Commercial Contracting Ltd., ZayZoon Lending Inc., and The Missing Children's Society of Canada. He holds a BA from the University of Calgary. |
| **Robinson Smith:** | Mr. Smith is an independent businessman. Prior thereto, he was an Investment Advisor at Integral Wealth Securities Limited, a registered investment dealer, Sora Group Wealth Advisors Inc., a registered investment dealer, and FundEX Investments Inc., a registered exempt market dealer and mutual fund dealer. Mr. Smith holds a BA from the University of Victoria and an MBA from the Beedie School of Business of Simon Fraser University. |

For disclosure concerning the composition of the audit committee of the Resulting Issuer Board after the consummation of the Proposed Qualifying Transaction and Offering, see *"Information about the Resulting Issuer – Corporate Governance – Audit Committee – Composition".*

***Charter***

A copy of the Audit Committee Charter is attached as Schedule A. The Audit Committee Charter will continue to be the charter of the Resulting Issuer Audit Committee after giving effect to the Offering and the Proposed Qualifying Transaction. See *"Information about the Resulting Issuer – Corporate Governance – Audit Committee – Charter"*.

***Auditor***

The external auditor of the Corporation is MNP LLP whose address is 1500, 640 – 5th Avenue SW, Calgary Alberta T2P 3G4. MNP LLP has confirmed to the Corporation that it is independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

***External Auditor Service Fees***

The following table discloses the aggregate fees billed by MNP LLP, the external auditor of the Corporation, since its appointment on October 15, 2018.

| | Category of Fee | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| (a) | Audit fees(1) | $6,500 | $6,500 | $6,000 |
| (b) | Audit-related fees(2) | $3,500 | $3,000 | $- |
| (c) | Tax fees(3) | $- | $- | $- |
| (d) | All other fees(4) | $6,375 | $2,150 | $- |
| | **Total** | **$16,375** | **$11,650** | **$6,000** |

Notes:

(1) Represents the aggregate fees billed by the external auditor for audit fees.

(2) Represents the aggregate fees billed for assurance and related services by the external auditor that are reasonably

related to the performance of the audit or review of the financial statements of the Corporation and are not reported in line (a) of the table.

(3) Represents the aggregate fees billed for professional services rendered by the external auditor for tax compliance, tax advice, and tax planning. There were no tax fees for 2018, 2019, and 2020.

(4) Represents the aggregate fees billed for products and services provided by the external auditor, other than the services reported in lines (a), (b) and (c) of the table. The fees are related to the interim financial statements.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

### Legal Proceedings

Neither the Corporation nor any of its property is, or has been since incorporation, the subject of any legal proceedings, and to the knowledge of the Corporation, no such legal proceedings are contemplated. For similar information concerning the Resulting Issuer after the consummation of the Proposed Qualifying Transaction and Offering, see *"Information about the Resulting Issuer – Legal Proceedings and Regulatory Actions – Legal Proceedings".*

### Regulatory Actions

No penalty or sanction has been, since incorporation, imposed against the Corporation by a court relating to Securities Law or by a Securities Regulatory Authority. Furthermore, the Corporation has not, since incorporation, entered into any settlement agreement before a court relating to Securities Laws or with a Securities Regulatory Authority. For similar information concerning the Resulting Issuer after the consummation of the Proposed Qualifying Transaction and Offering, see *"Information about the Resulting Issuer – Legal Proceedings and Regulatory Actions – Regulatory Actions".*

## INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No Director or Officer or Person or Company that owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Shares, or any affiliate of a Director or Officer or Person or Company that owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Shares, has had, since incorporation, any material interest, direct or indirect, in any transaction that has materially affected or is reasonably expected to materially affect the Corporation. For similar information concerning the Resulting Issuer after the Proposed Qualifying Transaction and Offering, see *"Information about the Resulting Issuer – Interests of Management and Others in Material Transactions".*

## REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent of the Shares is Odyssey Trust Company, whose address is 350, 300 – 5th Avenue S.W., Calgary, Alberta T2P 3C4. For information concerning the registrar and transfer agent of the Resulting Issuer Shares after the consummation of the Proposed Qualifying Transaction and Offering, see *"Information about the Resulting Issuer – Registrar and Transfer Agent".*

## MATERIAL CONTRACTS

The following is a list of each contract that is material to the Corporation that the Corporation has entered into since the beginning of its last financial year ending before the date of this prospectus (i.e., the financial year ended February 29, 2020), or before the beginning of its last financial year ending before the date of this prospectus (i.e., the financial year ended February 29, 2020) that is still in effect:

(a) Transfer Agent and Registrar Agreement dated February 6, 2019, between the Corporation and Odyssey Trust Company.

(b) CPC Escrow Agreement;

(c) Amended and Restated Amalgamation Agreement;

(d) Agency Agreement;

(e) Subscription Receipt Agreement; and

(f) Warrant Indenture.

Copies of these contracts are or will be available under the SEDAR profile of the Corporation at www.sedar.com.

For information concerning the contracts that will be material to the Resulting Issuer Shares after the consummation of the Proposed Qualifying Transaction and Offering, see *"Information about the Resulting Issuer – Material Contracts".*

## INFORMATION ABOUT EBN

### CORPORATE STRUCTURE

#### Name, Address and Incorporation

The full corporate name of EBN is "eBuyNow eCommerce Ltd." EBN was incorporated on April 19, 2012, under the BCBCA. It changed its name from "0938390 B.C. Ltd." to "eBuyNow eCommerce Ltd." on May 14, 2012. The address of the head office of EBN is 200, 931 Fort Street, Victoria, British Columbia V8V 3K3, Canada, and the address of the registered office of EBN is 1321 Blanshard Street, Suite 301, Victoria, British Columbia V8W 0B6, Canada. For a description of the full corporate name and the addresses of the head and registered offices of the Resulting Issuer after giving effect to the Offering and Proposed Qualifying Transaction, see *"Information about the Resulting Issuer – Corporate Structure."*

#### Intercorporate Relationships

The following table discloses the intercorporate relationships between EBN and the EBN Subsidiaries.

| Company | Jurisdiction | Ownership |
|---|---|---|
| eBuyNow eCommerce Ltd. (i.e., EBN) | British Columbia | N/A |
| eBN Holdings Ltd. | British Columbia | 100% EBN |
| eBuyNow eCommerce Limited | United Kingdom | 100% EBN |
| eBuyNow | Ohio | 100% EBN |
| eBuyNow eCommerce B.V. | Netherlands | 100% EBN |
| PerimiterSafe Holdings Limited | British Columbia | 100% EBN |
| PerimiterSafe Home Monitoring Limited | British Columbia | 100% PerimiterSafe Holdings Limited |
| eBN eCommerce Private Limited | India | 99% EBN; 1% eBN Holdings Ltd. |
| EBUYNOW ECOMMERCE, S. DE R.L. DE C.V. | Mexico | 99% EBN; 1% eBN Holdings Ltd |
| eBuyNow eCommerce Limited (i.e., Cinatic) | Hong Kong | 100% EBN |
| Premietech Limited | Hong Kong | 100% Cinatic |
| Cinatic (Shenzhen) Technology Co., Ltd. | China | 100% Premietech |
| Premielink Company Limited | Vietnam | 100% Cinatic |

### DESCRIPTION OF THE BUSINESS

EBN designs, engineers, manufactures, markets, and sells consumer electronics. During the past eight years, it has developed core competencies in the areas of eCommerce, licensing, manufacturing, consumer sales, and operations:

EBN believes its core differentiator is its automated data-driven approach used to identify consumer product trends and issues globally, and its ability to attract world leading brands and contract manufacturers to collaborate in the execution of the product.

Reviews of the C520 Baby Monitor, one of the earliest and best-selling products of EBN, included the following:

- "Best for Flexibility" – Metro, April 2019
- "The Kodak C520 Baby Monitor is on the best baby monitors of 2019" – Baby Gear, Feb 5, 2019
- "If you're looking for an all-around ideal baby monitor for your peace of mind, we're big fans of the Kodak Smart Baby Monitor." – Gugu Guide, June, 19, 2019
- "It's never failed us; we've never once missed a cry or a moan that needed attention but we have slept infinitely better since using it." – Expert Reviews, July 22, 2019
- "Kodak baby monitors are technologically advanced." – Daily Mom, July 30, 2019
- "#1 baby monitor" Wired, April 2019 & 2020
- "Winner" – Parent Tested Parent Approved, June 10, 2019
- "Best baby monitors 2020: Top baby cams to buy for audio and video." – March 1, 2020

EBN has built a proprietary A.I. data analysis platform called ProductLoop, which harvests and analyzes publicly available data, such as eCommerce product reviews, search engine results, advertising results, product marketing content, product support tickets, and public financial data. EBN analyzes millions of data points daily. ProductLoop:

- gathers and processes over one million consumer reviews from 38 sites in 14 countries each day;
- provides essential data on the fastest growing consumer electronics categories; and
- provides insight and key findings powers the product decision making process and gives a real time advantage to reduce risk and time to market.

Using the data and processes generated from ProductLoop, EBN identifies:

- overall growth trends in a product category;
- specific product features driving growth in a category;
- specific product failures driving negative sentiment in a category;
- consumer rationales driving product purchasing decisions in a category;
- price-points and features driving category growth;
- sales estimates of regional competitors' online sales;
- brands missing from a category;
- emerging regional brand leaders;
- product category niches; and
- feature definitions of an ideal product and brand fit.

Since its entry into the consumer electronics space in November 2018, EBN has:

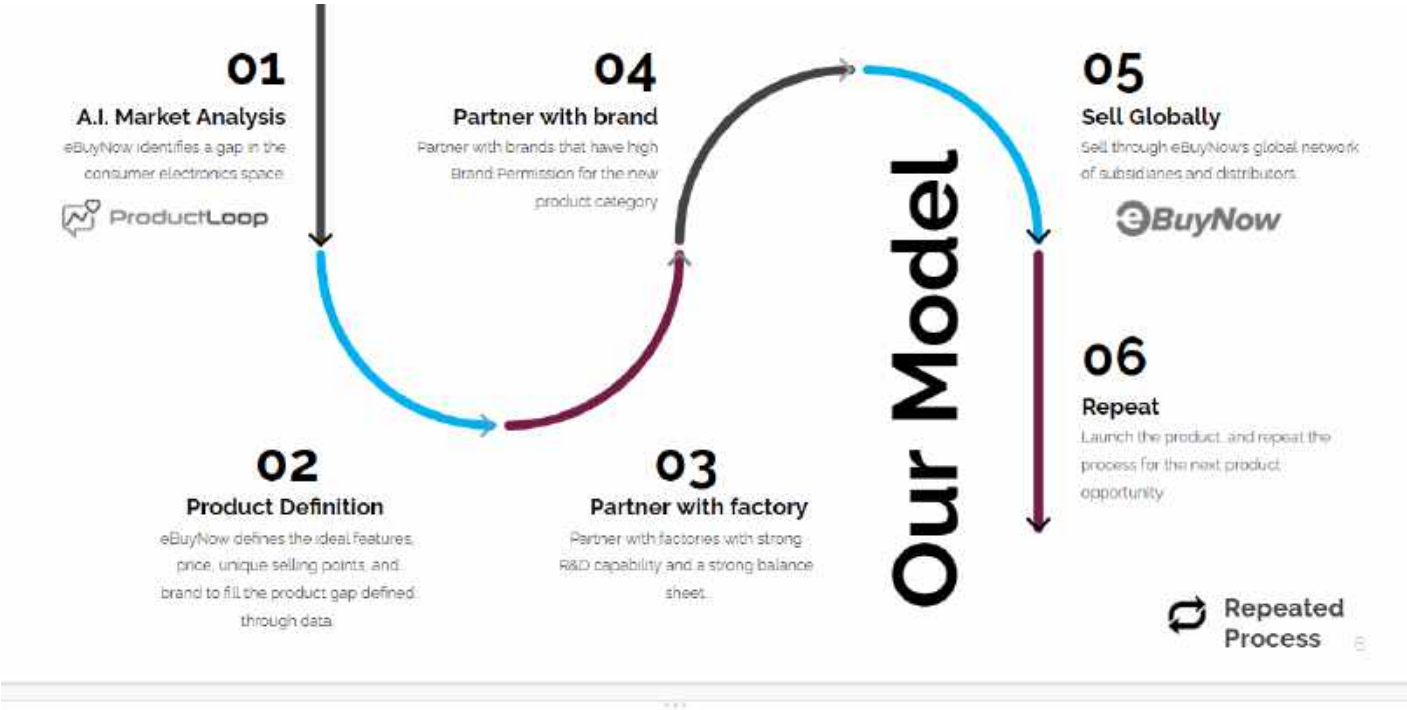
- launched three major product line in the smart home space, under the Kodak brand;
- launched one major product line in the smartwatch space, under the Motorola brand;
- launched ten country direct-to-consumer sales and marketing operations; and
- entered into three R&D and manufacturing partnerships with some of the world's largest contract manufacturers.

***Product Development Model***

The ability of EBN to continually scale is directly related to its ability to continually enter new product categories in a timely and on a regular basis. Aiming to prevent product R&D from being a bottleneck, EBN partners with some of the world's largest manufactures to leverage their scale, and allow multiple bespoke products to be under development in parallel.

The building blocks of the EBN product development model is:

- identify a "missing" product within a product category;
- partner with a leading manufacturer and execute product R&D under a co-development model;
- license the trademark of a recognizable brand, with high "Brand Permission" within the product category; and
- sell to consumers through a network of subsidiaries, distributors, and global eCommerce marketplaces.




***Market Estimation Model***

EBN uses proprietary and third-party commercial data paired with machine learning systems to estimate regional competitors eCommerce sales. This is done to create an internal business case for each new potential product, and to give guidance to management about what real-world sales expectations are for a specific product in the sales channels that EBN has the capability to sell within.

The product market estimation model aims to:

- identify all major price-points within a category;
- estimate all competitor sales within a price-point;
- compile a list of inferior and superior competitors, and their estimated sales by country; and
- create sales estimates for launch, growth, and plateau phases of a product lifecycle.

EBN uses estimations of competitors in-market products in order to estimate the growth in online direct-to-consumer and marketplace sales.

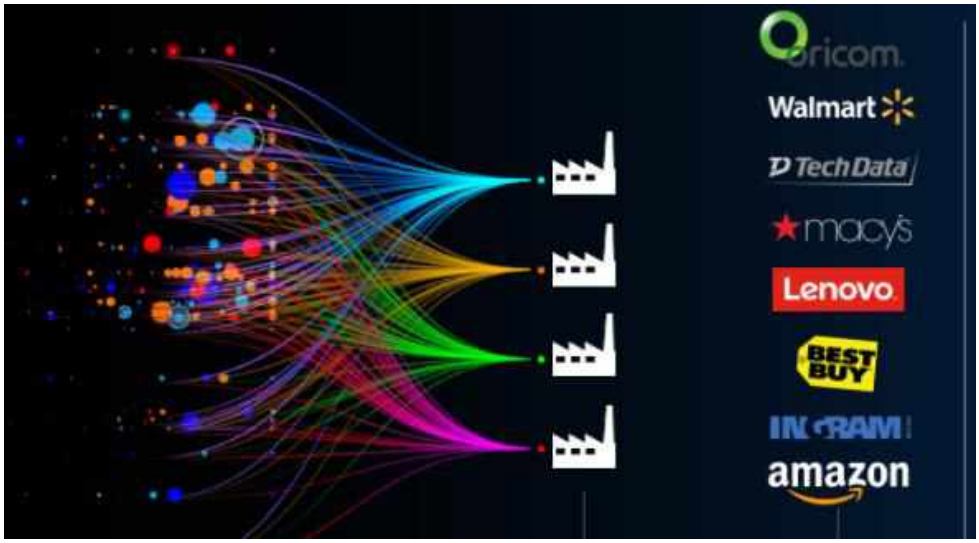
***Growth Model***

EBN grows the business operationally through traditional online marketing and distribution sales, but its strategic growth is based on the concept of launching new products to market in a timely and cost effective manner.

EBN partners with world class factories with existing competency in a specific product category. The partnership is in the form of co-development projects, where the hardware and software are defined by EBN and the bulk of the hardware

engineering is performed by the manufacturing partner against a specification provided by the EBN engineering and quality assurance teams.

After identifying a cost-effective path to market, EBN then partners with a brand with relevance in the product category. The primary purpose of the branding process is to reduce the amount of marketing spend required in order to generate awareness within a product category – both at the direct-to-consumer level, and the brick-and-mortar retail level. The diagram below illustrates the process that EBN uses for identifying product opportunities, and bringing them to market.





The process for identifying product opportunities is as follows:

- *Identifying Opportunity:* Product reviews, and other supporting data from ProductLoop are analyzed using machine learning technology to identify key trends within a product category in order to identify key price points, feature adaptation trends, sentiment correlation to features and price, and other key decision making metrics to identify opportunities and gaps within a consumer goods product vertical.
- *Partner Development:* Once a product opportunity is identified, EBN identifies the leading contract manufacturers behind the best-selling products within the category, EBN also identifies brands that should be competitive within the product vertical, but are not currently competing within the space. EBN then works with multiple brands and factories to find a favorable commercial engagement. The goal of this process is to eliminate risk in engineering and manufacturing by selecting highly experienced contract manufacturers to work with, and to eliminate risk in the product not being adopted by the market by partnering with a highly recognized brand within the product vertical.
- *Sales Channel Forecasting:* Once a product opportunity has factory and brand partners willing to move forward, sales estimations are created by analyzing current eCommerce market data, and through collaboration with distributors and retailers to understand their willingness to adopt the potential product, under the selected brand.
- *Launch and Sales Growth:* After identifying initial sales channels for a new product, the product is developed and launched into sales channels, providing EBN access to a new market, leading to sales growth. This process of continually identifying opportunities in a market, partnering with brands and factories, and launching products globally is the core of EBN's business engine.

***Key Partners***

EBN engages in multiple forms of partnership across all aspects of its operations. Core areas of partnership development include:

- brand trademark licensing agreements;
- intellectual property licensing agreements;
- contract manufacturing agreements;
- distribution and sales agreements; and
- marketing agency agreements.

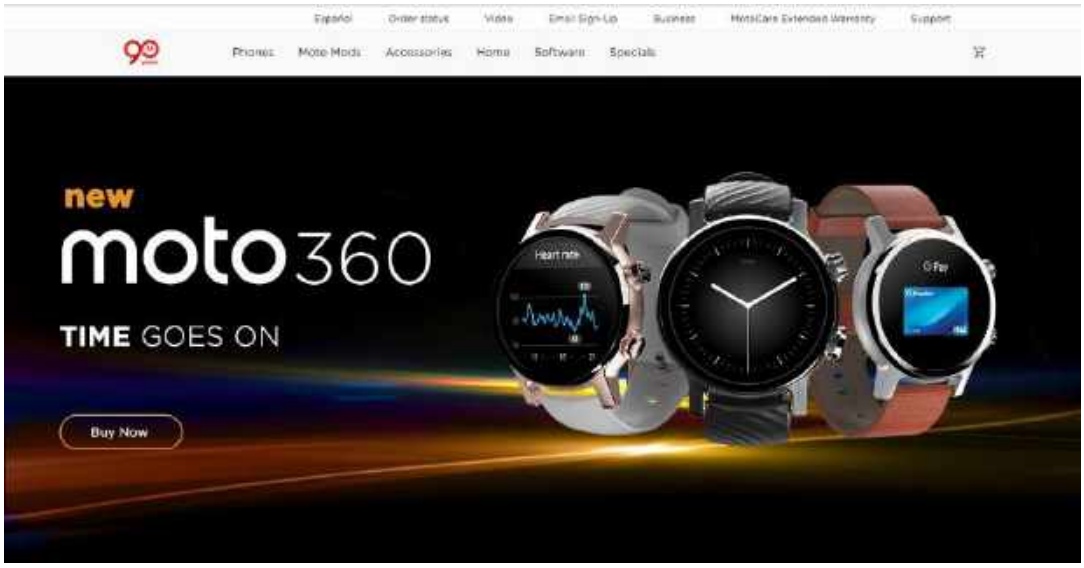
Current key partners of EBN include the following:

- *Technology*: Google, Ingram Micro, LifeQ, Qualcomm, LifeQ and Tuya;
- *Manufacturing*: Compal, Laisitech, and Luxshare; and
- *Brands*: Kodak and Motorola.

**Products and Services**

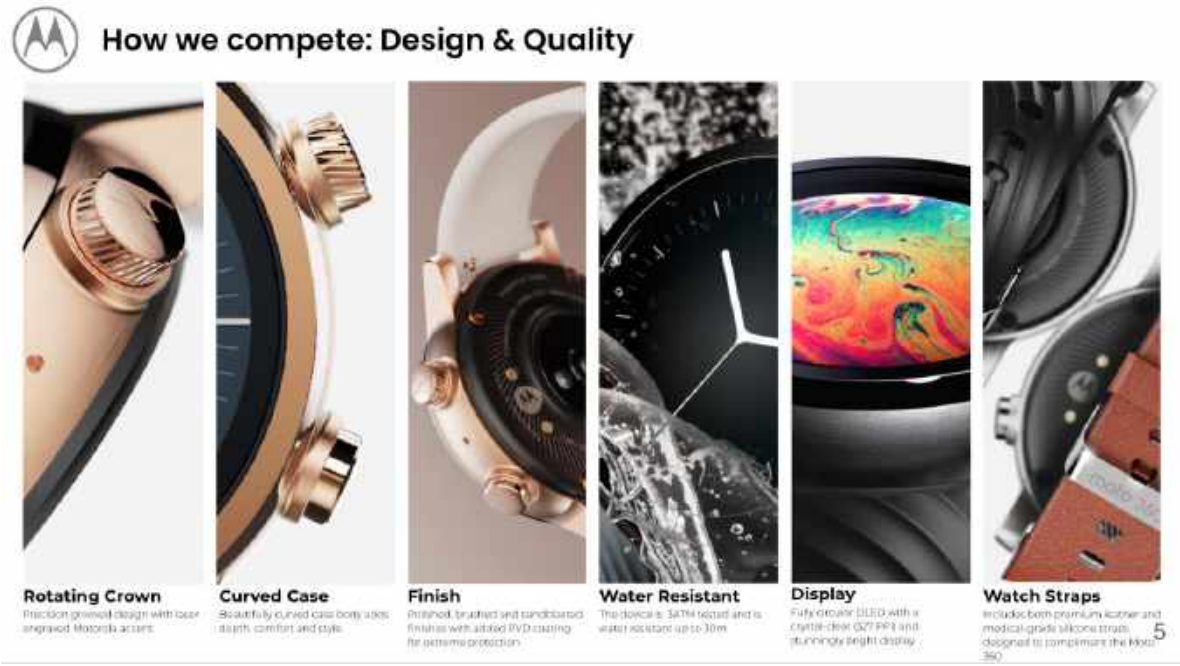
***Products in Market***

EBN has two main categories of product in market: smartwatches and smart home devices. The following table describes the main features of the smartwatch category.

| | |
|---|---|
| **Product Category:** | Smartwatches |
| **Product Line:** | Moto 360   |
| **Brand Partner:** | Motorola Mobility LLC |
| **Platform Partner:** | Google Inc – Wear OS |
| **Manufacturing Partners:** | Compal Electronics Inc., Globics Technology Limited |
| **Key Trends (based on ProductLoop data):** | • Consumers with Android phones rarely purchase from category leader (i.e., Apple Inc.)<br>• No clear dominant category leader providing smartwatches for Android users<br>• Brands from adjacent categories are gaining significant market share over start-up brands |

| | |
|---|---|
| **Key Data Insights (based on ProductLoop data):** | • Motorola Mobility brand has been missing from the product category for more than two years, despite significant sales in the product category from 2014 to 2016<br>• Product build quality is a key complaint for market leaders<br>• The Wear OS Software Platform from Google lacked current generation products from a major phone handset brand |

EBN believes that a key differentiator of the Moto 360 in the smart watch product category is design and quality:




According to data collected by ProductLoop, the Moto 360 rank favourably with other leading smart watch brands:

The following table describes the main features of the Kodak Smart Home category.

| | |
|---|---|
| **Product Category:** | Kodak Smart Home |
| **Product Lines:** | Smart Video Baby Monitors<br>Smart Security Cameras<br>Smart Air Purification<br>  <br><br>KODAK Smart Home |
| **Brand Partner:** | Eastman Kodak Company |
| **Platform Partner:** | eBuyNow eCommerce Limited (formerly Cinatic) (Acquired by EBN in 2019)<br>Premietech Limited. (Acquired by EBN in 2019) |
| **Manufacturing Partners:** | Alford Industries Ltd. and Luxshare Precision Industry Co., Ltd. |
| **Key Trends (based on ProductLoop data):** | • Video baby monitor adoption is growing among millennial parents<br>• Battery-powered security camera adoption is growing for residential use<br>• Air purifier adoption is growing dramatically since the onset of COVID-19 |
| **Key Data Insights (based on ProductLoop data):** | • The Kodak brand has been missing from video related categories in North America, despite having high "brand permission" to enter image-related categories<br>• The baby category is fractured in two segments, namely WiFi-connected cameras and non-WiFi connected cameras, with only one competitor brand offering "Dual-Mode" connectivity<br>• The battery-powered security camera market has major issues with battery life<br>• A major video camera complaint is related to product radio range not being sufficient<br>• A major air purifier complaint relates to the cost of purchasing disposable filters |

EBN has worked hard to differentiate its Smart Video Baby Monitors from the competition:


EBN believes ProductLoop has also helped it compete with the leading air-purifier brands:


***Products in Active Development***

EBN focuses on two key areas of product development. First, EBN expands the number of products within each product category. Typically sub-segments of each category are differentiated by price-point, form factor, or technology. Second, EBN adds new product categories.

EBN is expanding the number of products within the following product categories:

- *Baby Monitors:* EBN is developing a premium tier baby monitor, with advanced sleep analytics and dual-mode radio frequency connectivity, in order to reach the premium retail price-point of US$299, which is an expansion to the current baby monitor product line, which has a top price point of US$159.
- *Air Purifiers:* EBN has completed development of a range of Smart Air Purifiers, each of which have a unique washable air filter, and an air quality sensor that automatically adjusts the devices settings. The Smart Air Purifiers have been laboratory certified to kill airborne viruses and bacteria.
- *Smartwatches:* EBN is developing three additional smartwatches to address low- and mid-tier points in the market. These smartwatches are intended to help gain entry into markets where the Motorola brand is particularly strong, namely India and much of Latin America.


EBN is also updating the following existing products, focusing on performance optimization, user-experience optimization, and cost-down processes:

- Kodak Cherish C525 Baby Monitor;
- Kodak Cherish C520 Baby Monitor; and
- Motorola Moto360 Smartwatch.

EBN is also developing new sub-categories of smart home products, including outdoor security, air-quality and control, and smart lighting:

- Outdoor home security cameras, with XL battery;
- Air dehumidifiers, air humidifiers, portable fans, and portable heaters; and
- Smart lighting products, including bulbs, switches, remotes, fixtures, and lamps.


**Research and Development**

EBN partners with some of the world's largest manufacturers to create its products. It engages in multiple forms of R&D, including:

- hardware design and radio frequency engineering;
- firmware design and engineering;
- web services software design and development;
- IOT connectivity software design and development;
- mobile app software design and development;
- web application design and development; and
- web content software development.

EBN also purchases and licences existing intellectual property from various third-parties in order to find the most viable path to market for a new product opportunity. Typical development models include:

- full development by internal R&D teams;
- reworking of an acquired or licensed reference design by internal R&D teams; and
- internal design, with full development by external R&D teams.

***Contract Manufacturing***

EBN engages third-party contract manufacturers to assemble EBN-developed consumer electronics products. EBN continually cultivates relationships with contract manufacturers with expertise in specific product categories. EBN often shares contract manufacturer facilities with direct competitors, allowing EBN to ensure a cost-competitive product relative to existing market leaders.

EBN has executed R&D and manufacturing contracts with Alford Industries Ltd., to quickly and effectively bring new product categories to the market.

***Traditional Distribution and Sales***

EBN engages in B2B sales of products it has developed. Distributors and retailers purchase products from EBN and sell these products through various sales channels. As at the date this prospectus, EBN has 31 distribution and retail relationships with products available in 70 countries globally, including:

- Ingram Micro (Canada, USA, Mexico, Brazil, Chile, Columbia, Peru, Argentina);
- Amazon (Canada, USA, Mexico, UK, India);
- Best Buy (Canada);
- Walmart (USA);
- Macy's;
- Newegg;
- Santek;
- Merlin Distribution;
- Mercado Libre;
- Kiara;
- Synnex;
- GroBaby;
- Flipkart;
- Socintech;
- Lenovo/Motorola;
- Linio.com;
- MediaMarkt.com;
- Fnac.com;
- Lazada.com;
- OnBuy.com;
- Real.de;
- Darty.com;
- Bhphotovideo.com;BeachCamera.com;
- Adorama.com;
- Oricom; and
- www.kodaksmart home.com and www.moto360.com.

EBN enters into two types of distribution agreements:

- "territory exclusive agreements" in jurisdictions where EBN has no direct-to-consumer operations; and
- "shared territory agreements" in jurisdictions where EBN reserves the exclusive right to sell products online, and its distribution partner has no rights to sell online through any internet retailers, and only retains distribution rights for EBN products distributed through traditional B&M channels.

***Direct-to-Consumer Online Sales***

EBN operates direct-to-consumer sales channels globally, with the intention of maximizing margin retention. In order to execute the direct-to-consumer sales channel, EBN operates multiple subsidiaries to carry-on e-commerce sales and marketing in different jurisdictions. These entities include:

- EBN (British Columbia);
- eBuyNow (Ohio);
- EBUYNOW ECOMMERCE, S. DE R.L. DE C.V. (Mexico);
- EBN eCommerce Private Limited (India);
- eBuyNow eCommerce Limited (United Kingdom);
- eBuyNow eCommerce B.V. (Netherlands); and
- eBuyNow eCommerce Limited (Hong Kong).

The above corporations service the following jurisdictions: Canada, United States, Mexico, United Kingdom, Netherlands, Spain, France, Germany, Italy, Belgium, Luxembourg, Sweden, Denmark, India, Hong Kong, and China.

***Direct to Consumer Global Marketing***

EBN engages in direct-to-consumer marketing activities. These advertising and marketing campaigns are designed to generate consumer awareness of EBN's products and drive online sales.

Online marketing campaigns are executed by EBN directly, or in partnership with regional marketing agencies working under the direction of EBN.

EBN engages in online marketing campaigns through a variety of online platforms, including social media, paid display advertising, sponsored content campaigns and social media influencer campaigns.

***Customer Support***

EBN operates customer support services for all EBN-produced products. Customer support services include: live chat support, email support, knowledge base creation, telephone support and collaboration with third-party partners.

EBN's customer support operations are mandated to protect the reputation of EBN's products and third-party partner brands above all else.

Customer support is delivered by EBN staff in English, French, Spanish, Italian, German, Portuguese, Greek, Turkish, Mandarin, Vietnamese, and Cantonese. Additional staffing for languages is added on an as-needed basis.

***Warranty & Return Management***

EBN operates a warranty and returns management process through their customer support operations. Warranty management operations are involved in processing warranty claims originally serviced by distributors and claims directly from consumer requests.

Each EBN Subsidiary operates a warranty and return management service for regions where a subsidiary has the capability of shipping replacement goods. For a list of the countries in which warranty and return services are provided, see "*Area of Operation: Direct-to-Consumer Online Sales*".

Warranty and return claims coming from outside of these countries are managed through EBN's Hong Kong subsidiary, eBuyNow eCommerce Ltd.

***Product Feedback Implementation***

EBN, as a part of its R&D and customer service activities, gathers product feedback for further analysis and implementation. Through continued analysis of ProductLoop customer review data, EBN analyzes how products are gaining traction in online sales channels. Feedback from the online product reviews is combined with feedback from customer support tickets, allowing EBN to resolve bugs or issues and evolve products in response to changing market conditions.

**Specialized Skills and Knowledge**

Throughout the previous eight years of operation, EBN has cultivated specialized skills and knowledge in the following relevant areas:

| | |
|---|---|
| **Market Analysis:** | EBN has developed mature methodologies and knowledge related to identifying product features that are driving growth within a product category. Through EBN's history working as an agent with multiple different brand partners, EBN has developed the skills necessary to identify trends in product features, product technology adoption and consumer sentiment based on the collection and analysis of product reviews. |

| | |
|---|---|
| **Product Development:** | EBN has developed valuable skills and knowledge in the area of consumer electronics product development, having been historically hired as an agent for the implementation of "Product Development Lifecycle" processes. Through years of developing products for many third-party stakeholders, EBN has cultivated specialized process-based knowledge relating to product design, engineering, component selection and contract manufacturing. |
| **Firmware Engineering:** | EBN has acquired specialized skills and experience in engineering firmware for internet-connected products through its acquisition of Premielink Limited. |
| **Hardware Engineering:** | EBN has acquired specialized skills in developing and engineering hardware for internet connected consumer electronics through its acquisitions of eBuyNow eCommerce Ltd. (formerly Cinatic Technology Ltd.) and Premietech Limited. |
| **Software Development General (App/Web/Cloud):** | Over the last eight years, EBN has executed a variety of enterprise-level software development projects for internet-connected products and subscription-based internet-connected consumer electronics, allowing EBN to acquire specialized skills and knowledge in the development and engineering of software for internet-connected consumer products. |

EBN continues to assess its skills and knowledge requirements and intends to continue to recruit qualified personnel and identify valuable partnerships as needed.

**Competitive Conditions**

EBN intentionally enters competitive markets, allowing it to gather valuable market data that can be analyzed to create products with features and components that it believes will meet consumer demands better than existing products in the market. EBN evaluates the following core considerations before entering a market or product category:

- product features associated with dominant or trending products within a product category;
- price points associated with the trending feature-set; and
- consumer sentiment towards certain features and components versus the cost of materials required to produce a product with those features and components.

Areas where EBN considers itself to have a competitive advantage include its:

- ability to be brand agnostic, and through trademark licensing, pair products together with appropriate brands to achieve a good product-market fit;
- ability to react to market changes and let public consumer feedback dictate product roadmaps and features;
- ability to launch new products via its self-managed e-commerce channels in most of the major consumer electronics markets;
- ability to rapidly integrate IOT technology into existing product designs, allowing it to shorten the development cycle of new IOT products;
- ability to rapidly develop mobile apps for IOT products based on a handful of internal reference designs ready for adaptation for new products;
- ability to distribute products directly to consumers in emerging markets, such as India, China and Mexico; and
- ability to directly serve e-commerce clients in a wide variety of locations, including: Canada, United States, Mexico, United Kingdom, France, Germany, Spain, Italy, Netherlands, Sweden, Denmark, Luxembourg, Hong Kong and India.

**New Products**

At the heart of EBN's business model is its core strategy of continually creating new consumer electronics products in order to fuel continuous growth. The decision-making process of selecting which products will be created is driven through a data analysis process based on market conditions at the time.

Because this strategy inherently leads to rapid development of new products, it is not feasible to discuss a product roadmap beyond the next 12 months. However, products that are currently expected to be under development in the next 12 months, either from a R&D perspective or a partnership development perspective include the following:

- A range of Air Purification products with smart control features, to expand upon the AP550 Air Purifier were launched by EBN in February 2021. EBN expects two additional models to be rolled out over the following 6 months.
- A range of Smarthome Light Bulbs targeting the multi-pack Wi-Fi connected lightbulb solutions market. This product line is currently in the contract manufacturer engagement phase with negotiations underway, but not commercially completed. EBN expects that only the industrial design and software development phases will be handled in-house. EBN expects this product to launch and be available for distributors to order by May 2021.
- A range of Smarthome Outdoor Video Home Security products, targeting the value-priced residential outdoor security camera and outdoor security lighting markets. These products are undergoing R&D by EBN's in-house teams. EBN expects this product to launch and be available for distributors to order by May 2021.
- A Low-Cost Smartwatch to add to the existing line of Smartwatches targeted towards emerging markets. This product is currently completing the R&D phase and EBN is preparing for engineering validation testing. EBN expects this product to launch and be available for distributors to order by July 2021.
- Sport & Fitness Wristbands with two product variants targeted for the entry-level segment of the wearables market, with a focus on emerging markets, where EBN believes there is a strong brand-market fit with existing brands currently under trademark license by EBN. This product is currently in the R&D Phase, where EBN is executing the industrial design and software development phases will be handled in-house. EBN expects this product to launch and be available for distributors to order by June 2021.
- A range of Forced Air products with smart control features, to expand upon EBNs Smart Home range of products. EBN expects this product to launch and be available for distributor orders in September 2021.

The above-listed products should not be considered exhaustive or definitive. As market conditions change and additional product lines are under market assessment and investigation, products may be added or removed from the confirmed product roadmap at the discretion of EBN's management.

The following table discloses the milestones to be completed and capital spending plans related to each new product.

| New product name | Product category | Milestone | Launch date | Capital spending plans | Capital spending assuming the Offering | | Capital spending assuming the Offering and Exercise of Over-Allotment | |
|---|---|---|---|---|---|---|---|---|
| | | | | | R&D | Inventory launch | R&D | Inventory launch |
| Kodak Air Purifier (AP550/AP 250) | Smart home | Global launch of product | April 2021 / August 2021 | Tooling + R&D paid by factory. Inventory spending required. | $0 | $357,500 | $0 | $357,500 |

| New product name | Product category | Milestone | Launch date | Capital spending plans | Capital spending assuming the Offering | | Capital spending assuming the Offering and Exercise of Over-Allotment | |
|---|---|---|---|---|---|---|---|---|
| | | | | | R&D | Inventory launch | R&D | Inventory launch |
| Kodak Smart Bulbs + Switch (R100) | Kodak Smart Home | Global launch of product | May 2021 | Tooling + R&D paid by factory. Brand License Expansion Required. Inventory spending required. | $0 | $91,600 | $0 | $91,600 |
| Kodak Battery Powered Security Camera (F780) | Kodak Smart Home | Global launch of product | May 2021 | R&D paid by factory. Inventory spending required. | $0 | $201,500 | $0 | $201,500 |
| Moto Watch (MOTW-G1) | Smartwatch | Global launch of product | June 2021 | Tooling + Majority R&D paid by production partner. Inventory spending required. | $40,000 | $234,000 | $40,000 | $234,000 |
| Moto Watch (MOTW-A1) | Smartwatch | Global launch of product | July 2021 | Tooling + Majority R&D paid by production partner. Inventory spending required. | $40,000 | $403,000 | $40,000 | $403,000 |
| Moto Watch (MOTW-B1) | Smartwatch | Global launch of product | July 2021 | Tooling + Majority R&D paid by production partner. Inventory spending required. | $40,000 | $403,000 | $40,000 | $403,000 |

| New product name | Product category | Milestone | Launch date | Capital spending plans | Capital spending assuming the Offering | | Capital spending assuming the Offering and Exercise of Over-Allotment | |
|---|---|---|---|---|---|---|---|---|
| | | | | | R&D | Inventory launch | R&D | Inventory launch |
| Kodak Smart Air Conditioning (AC100) | Kodak Smart Home | Global launch of product | October 2021 | R&D paid by factory. Inventory spending required. | $0 | $228,800 | $0 | $228,800 |
| Kodak Smart Dehumidifier (AD100) | Kodak Smart Home | Global launch of product | October 2021 | R&D paid by factory. Inventory spending required. | $0 | $130,000 | $0 | $130,000 |
| Kodak Cherish Pro (C550) | Kodak Smart Home | 20% tooling + global launch of product | September 2021 | 80% Tooling + All R&D paid by factory. Inventory spending required. | $25,000 | $247,000 | $25,000 | $247,000 |
| Kodak Cherish Plus (C525P) | Kodak Smart Home | 20% tooling + global launch of product | September 2021 | 80% Tooling + All R&D paid by factory. Inventory spending required. | $25,000 | $249,600 | $25,000 | $249,600 |

**Components**

Components for EBN's products, such as microchips, cables, and circuit boards, are manufactured by third parties and sourced by those third-party contract manufacturers in collaboration with EBN's China-based sourcing team.

The components used in each product may vary and are considered industry standard. The vast majority of components used are available from multiple global suppliers. Irreplaceable component suppliers, that are required for continuous operation are:

- Qualcomm (Snapdragon 3100 for Moto360 Smartwatch);
- Alford Industries Inc. (AP550 – Chemical Coating for Air Purifiers); and
- Google (WearOS Operating System for Moto360 Smartwatch).

All other components are generic and readily available from a number of global suppliers.

**Intangible Properties**

The following table discloses the intangible properties of EBN that have a material impact on its operations.

| Intangible Assets | Description |
|---|---|
| **Motorola Smartwatch Trademark License:** | Pursuant to a License Agreement dated April 1, 2019, between EBN and Motorola Mobility LLC, EBN has a global exclusive trademark license on the Motorola brand for smartwatches, fitness bands, and wearables until December 31, 2024. The effect of this intangible property is that it enables EBN to sell products under the Motorola brand name globally. |
| **Kodak Home Monitoring and Forced Air Trademark License:** | Pursuant to a Trademark License Agreement dated July 30, 2018, between EBN and Eastman Kodak Company. EBN has Kodak trademark licenses for Home Monitoring (Smart home products, video surveillance products, and home security products) as well as Forced Air (air purifiers, heaters, air conditioners, and fans), which expire on December 31, 2021, and automatically renews for a period of three years. The effect of this intangible property is that it enables EBN to sell products under the Kodak brand name globally. |
| **Wireless Camera:** | Having developed Wi-Fi enabled cameras for the last seven years, EBN and its subsidiaries have incurred significant R&D expenses developing the core technology used in its wireless camera products. The effect of this intangible property is that it enables EBN to rapidly engineer new Wi-Fi enabled cameras rapidly, without external technical support. This core technology is considered viable for as long as Wi-Fi protocol is the industry standard primary method of connectivity for internet connected cameras. |
| **IOT Platform:** | Over the last six years, EBN has developed an IOT software platform, allowing for rapid software development of IOT products. This property is owned by EBN's subsidiary PerimeterSafe Home Monitoring Ltd. The effect of this intangible property is that it enables EBN to rapidly engineer new Wi-Fi enabled products across a variety of product categories and integrate new product categories into one central software platform. This core technology is considered viable until the underlying software technologies cannot be supported. |
| **IOT Module:** | Over the last five years, EBN has developed an IOT hardware module platform, allowing for the rapid integration of Wi-Fi technology into existing consumer electronics products. This is owned by EBN's subsidiary, Premietech Limited. The effect of this intangible property is that it enables EBN to rapidly engineer new Wi-Fi enabled products across a variety of product categories. This IOT module undergoes regular re-engineering in order to keep pace with industry standards related to the 802.11 protocol. The duration of each re-engineering effort of the module is considered to be valid for three years, or until a change in Wi-Fi protocol standards, or Wi-Fi related component availability changes due to market conditions. |
| **ProductLoop:** | Over the last five years, EBN has developed a market intelligence platform. This platform gives EBN unique insights into global consumer electronics market trends, and permits EBN to perform a detailed analysis of product features and their desirability within consumer electronics products. The effect of this intangible property is that it enables EBN to identify market trends within the consumer goods market. The ProductLoop software platform is under continuous development, which is required to maintain its viability, as it depends on a variety of third party data sources, such as online product reviews and online search engine results, each of which regularly changes its data-structure. |

The following table contains details of the patents that EBN currently holds licenses to that are related to its intangible properties, including the number of patents issued, the intangible assets they are related to, and the nature of each patent.

| Product | Patent to which EBN holds a license | Patent holder | Intangible asset to which the patent relates | Nature of patent |
|---|---|---|---|---|
| Kodak Air Purifier | USD601687 | Grace Creation Investment Limited (an affiliate of Alford Industries Inc.) | AP550 Filter Design | Design |

| Product | Patent to which EBN holds a license | Patent holder | Intangible asset to which the patent relates | Nature of patent |
|---|---|---|---|---|
| Kodak Air Purifier | US20100236411A1 | Grace Creation Investment Limited (an affiliate of Alford Industries Inc.) | AP550 Filter Technology | Application |
| Kodak Air Purifier | US8357233B2 | Chan Sik Leung (an affiliate of Alford Industries Inc.) | AP550 Filter Technology | Application |

The following table contains details of the patents that EBN currently holds licenses to that are related to its intangible properties, including the duration of the patents issued and the related timing of any patent applications in progress.

| Product | Patent to which EBN holds a license | Duration of patent | Duration of license to Patent |
|---|---|---|---|
| Kodak Air Purifier | USD601687 | 2023-10-06 | License to use patent conditional on manufacturing the AP550 exclusively with Alford Industries Inc. |
| Kodak Air Purifier | US20100236411A1 | 2031-04-04 | License to use patent conditional on manufacturing the AP550 exclusively with Alford Industries Inc. |
| Kodak Air Purifier | US8357233B2 | 2031-04-04 | License to use patent conditional on manufacturing the AP550 exclusively with Alford Industries Inc. |

**Cycles**

All of the product categories in which EBN currently operates, and intends to operate in the future, are cyclical businesses which follow common consumer purchasing trends and B&M retail sales cycles.

EBN believes that industry-typical B&M retail sales cycles require four-to-ten month lead times to confirm product placement with major B&M retailers, and that industry-typical B2B ordering for major product selection refreshment occurs industry-wide in both the fall and spring of each year.

EBN also believes that industry-typical online B2C sales cycles are subject to seasonal fluctuations that drive increases in consumer purchasing activity. These fluctuations are driven by seasonal events, such as holidays (e.g., Christmas) and online shopping promotional events (e.g., Black Friday). EBN considers these fluctuations to be a normal part of the B2C sales cycle. EBN typically expects to incur additional manufacturing costs leading up to these events in order to maintain the inventory levels required to match the expected increase in demand for products due to promotional activities by EBN's sales channel partners.

**Economic Dependence**

The following table describes the contracts upon which the business of EBN is substantially dependent:

| Trademark Brand License Agreements |
| --- |
| **Trademark License Agreement dated July 30, 2018, between EBN and Eastman Kodak Company:** Pursuant to this contract, Eastman Kodak Company, the exclusive worldwide owner of the trademark "KODAK", granted EBN a worldwide license to use the trademark "KODAK" in connection with the manufacture, distribution, and sale of consumer-grade audio and video, and wireless baby monitors, which include cameras, audio devices, and sensors that are remotely accessed. The license expires on December 31, 2021. |
| **License Agreement dated April 1, 2019, between EBN and Motorola Mobility LLC:** Pursuant to this contract, Motorola Mobility LLC granted EBN a worldwide non-exclusive license to use the licensed marks "MOTOROLA" and the "EMSIGNIA DESIGN" in connection with the manufacture, distribution, marketing and sale of consumer-grade smartwatches and fitness bands or similar digital watch-sized displays, which can display, transmit, or receive data, messaging, and other information. The license expires on December 31, 2024. |

| Product Execution Partnerships |
| --- |
| **Wearables Development Agreement dated December 23, 2019, between EBN and Globics Technology Limited:** Pursuant to this contract, the parties agreed to the joint development, engineering, design and manufacturing, and sales of smartwatch and other wearables technologies. The initial term of this contract is from December 23, 2019, until December 23, 2023, and will automatically renew in additional one-year increments, subject to EBN meeting certain conditions. |
| **Wear OS Software License Agreement dated October 30, 2018, between EBN and Google LLC:** Pursuant to this contract, Google LLC granted EBN a non-exclusive and non-transferable limited license to "WEAR OS SOFTWARE" in connection with the development of "WEAR OS SOFTWARE" and "APPROVED WEAR OS DEVICES", in order to allow EBN to collaborate with Google LLC on "WEAR OS SOFTWARE" releases and "APPROVED WEAR OS DEVICES" and in connection with the development, manufacturing, distribution, sale, and import of "APPROVED WEAR OS DEVICES". The initial term of this contract was from October 30, 2018, until October 30, 2020. This contract has been extended until December 22, 2021. |
| **Definitive Supply Agreement dated October 23, 2020 between EBN and Luxshare Precision Ltd.:** Pursuant to this contract, EBN granted Luxshare Precision Ltd. a non-revocable, non-exclusive, worldwide, royalty-free license to use EBN's intellectual property as necessary to meet its manufacturing obligations to EBN. The initial term of this contract is from October 23, 2020 until October 23, 2025, unless earlier terminated, and will automatically renew in five-year increments, subject to EBN satisfying certain conditions. |

**Changes to Contracts**

EBN does not expect its business to be materially affected in the current financial year (i.e., the year ended March 31, 2021) by renegotiation or termination of contracts.

**Environmental Protection**

EBN does not expect environmental protection requirements to have any significant on the capital expenditures, profit or loss, and competitive position of EBN in the current financial year (i.e., the year ended March 31, 2021) or future financial years.

**Employees**

The following table discloses the number of employees of EBN as at the end of the most recent financial year (i.e., the year ended March 31, 2020), by region:

| Region | Number of Employees |
| --- | --- |
| Canada (Management operations) | 12 |
| Hong Kong (Product development operations) | 15 |

| Region | Number of Employees |
|---|---|
| Vietnam (Product support and quality assurance; Software development operations) | 21 |
| USA (Sales operations) | 4 |
| Europe (Sales operations) | 2 |
| India (Sales support and Bookkeeping operations) | 12 |
| Mexico (Sales operations) | 1 |
| United Kingdom (Sales operations) | 3 |
| China (Manufacturing) | 2 |
| Morocco (Customer Service) | 1 |
| Greece (Customer Service) | 1 |
| Salvador (Customer Service) | 1 |
| Serbia (Operations) | 1 |
| Philippines (Customer Service) | 2 |
| Pakistan (Customer Service) | 1 |
| Costa Rica (Human Resources) | 1 |
| **Total** | **80** |

**Foreign Operations**

EBN aims to create centers of competency around the globe, where each team is focused on a core set of deliverables best suited for the skillset of the particular region. The following table discloses the main locations of EBN's foreign operations:

| | |
|---|---|
| **Hong Kong:** | EBN's Hong Kong operations are dedicated to industrial design, hardware engineering, contract manufacturing management, product quality and the sourcing of components from China. EBN's Hong Kong operations are also the first touch point in EBN's global logistics operation. |
| **Vietnam:** | EBN's Vietnam operations are dedicated to manual and automated product testing of firmware, and the software engineering of products and mobile applications, as well as product support and quality assurance. |
| **USA, UK, Europe, Mexico:** | EBN's operations in these countries are for the sole purpose of generating sales of EBN's products within their respective operating regions. |
| **India:** | EBN's Indian operations are a support function for sales and distribution as well as global bookkeeping. |

**GENERAL DEVELOPMENT OF THE BUSINESS**

**Two-Year History**

Over its past two completed financial years, EBN has sought out and acquired multiple sources of investment. Shifting from a contract R&D firm to a fully integrated e-commerce platform has required a build-out in people and systems.

***Material Restructuring Transactions***

| Entity (jurisdiction) | Description of Transaction |
|---|---|
| **eBN Holdings Ltd. (British Columbia)** | eBN Holdings Ltd. was formed as a holding company foreign assets. It currently owns one share of eBN eCommerce Private Limited (India), and has no other assets. |
| **PerimeterSafe Holdings Limited (British Columbia)** | PerimeterSafe Holdings Limited is the holding company for intellectual property created in relation to EBN's smart home product lines, including the hosting of cloud services and user data. PerimeterSafe Holdings Limited has one subsidiary, PerimeterSafe Home Monitoring Limited, which is the entity that contains user data, hosts the cloud platform, and deploys mobile applications. Users that buy a smart home product from EBN receive terms of services and privacy policies from PerimeterSafe Home Monitoring Limited. |
| **eBuyNow eCommerce Limited (United Kingdom)** | In January 2019, EBN acquired eBuyNow eCommerce Limited (United Kingdom) for nominal consideration.<br>eBuyNow eCommerce Limited (United Kingdom) is a trading entity formed to facilitate the import of goods, the collection and remittance of European Union and United Kingdom VAT, and end-consumer B2C sales of products through online e-commerce operations. |
| **eBuyNow (Ohio)** | In December 2018, EBN acquired eBuyNow for nominal consideration.<br>Units of eBuyNow were first transferred to eBuyNow eCommerce Limited (formerly Cinatic) registered in Hong Kong under Company registration number 756278. eBuyNow eCommerce Limited (formerly Cinatic) then transferred the ownership to EBN. |
| **eBN eCommerce Private Limited (India)** | In February 2019, EBN acquired eBN eCommerce Private Limited for aggregate consideration of$11,250 (or ₹617,000).<br>eBN eCommerce Private Limited is a trading entity formed to facilitate the import of goods, the payment of import taxes, and B2B trade activities with distributors and retailers in India. |
| **eBuyNow eCommerce Limited (Hong Kong) (formerly Cinatic Technology Limited)** | In January 2019, EBN acquired all of the issued and outstanding Cinatic common shares in an all-share transaction with a total enterprise value of $10,360,313. For purposes of the acquisition, the deemed value of the EBN Shares was $0.375 per EBN Share, and the deemed value of the Cinatic shares was $730.9313 per Cinatic share. |

The business of EBN will be the business of the Resulting Issuer after giving effect to the Offering and the Proposed Qualifying Transaction. See *"Information about the Resulting Issuer – Description of the Business".*

***Bankruptcy, Receivership, or Similar Proceedings***

There have been no bankruptcy, receivership or similar proceedings against EBN or any EBN Subsidiary, or any voluntary bankruptcy, receivership, or similar proceedings by EBN or any EBN Subsidiary, within the three most recently completed financial years (i.e., the financial years ended March 31, 2020, March 31, 2019, and March 31, 2018) or during the current financial year of EBN. Furthermore, no bankruptcy, receivership or similar proceedings against EBN or any EBN Subsidiary, and no voluntary bankruptcy, receivership, or similar proceedings by EBN or any EBN Subsidiary is proposed for the current financial year of EBN.

**SELECTED FINANCIAL INFORMATION**

The following tables summarize certain financial information of EBN for the nine months ended December 31, 2020, and the three years ended March 31, 2020, March 31, 2019, and March 31, 2018. This financial information was derived from the EBN Interim Financial Statements and EBN Annual Financial Statements and should be read together with the EBN Interim Financial Statements and EBN Annual Financial Statements, copies of which are attached as Schedule G and Schedule I, respectively, and management's discussion and analysis of EBN for the interim period ended December 31, 2020, and management's discussion and analysis of EBN for the years ended March 31, 2020, March 31, 2019, and March

31, 2018, copies of which are attached as Schedule H and Schedule J, respectively.

| Item | As at Dec. 31, 2020 (Unaudited) | As at March 31, 2020 (Audited) | As at March 31, 2019 (Audited) | As at March 31, 2018 (Audited) |
|---|---|---|---|---|
| Total assets | $14,194,801 | $18,915,238 | $15,453,122 | $792,868 |
| Total liabilities | $17,208,450 | $14,672,718 | $8,669,239 | $1,147,004 |

| Item | Nine months ended Dec. 31, 2020 (Unaudited) | Year ended March 31, 2020 (Audited) | Year ended March 31, 2019 (Audited) | Year ended March 31, 2018 (Audited) |
|---|---|---|---|---|
| Revenue | $7,960,884 | $7,299,077 | $2,625,761 | $1,278,080 |
| Costs of Goods Sold | $6,392,085 | $5,455,576 | $1,954,230 | $387,748 |
| Expenses | | | | |
| Marketing | $1,484,821 | $2,369,738 | $584,315 | $103,095 |
| Selling and distribution | $978,700 | $778,663 | $292,914 | $- |
| Wages and contractors | $2,495,716 | $3,009,488 | $1,442,977 | $1,011,628 |
| Royalties and license fees | $530,448 | $967,592 | $147,482 | $- |
| Technology and related | $309,638 | $269,538 | $103,411 | $- |
| Professional fees | $917,957 | $1,243,902 | $964,025 | $60,517 |
| General and administrative | $774,432 | $605,476 | $157,727 | $164,456 |
| Depreciation | $188,317 | $270,775 | $974 | $- |
| Amortization | $855,178 | $1,204,358 | $202,006 | $1,926 |
| Stock-based compensation | $291,902 | $694,627 | $66,280 | $- |
| (Gain) loss on foreign exchange | $110,318 | $(307,921) | $(19,955) | $36,856 |
| Net loss | $(10,929,504) | $(10,458,337) | $(3,104,301) | $(566,083) |
| Total comprehensive loss | $(11,786,032) | $(9,849,127) | $(2,972,836) | $(566,083) |
| Basic and diluted loss per share | $(0.13) | $(0.14) | $(0.08) | $(0.02) |

The following tables summarize certain financial information of Cinatic for the year ended March 31, 2018. This financial information was derived from the Cinatic Annual Financial Statements and should be read together with the Cinatic Annual Financial Statements, copies of which are attached as Schedule K.

| Item | As at March 31, 2018 (Audited) |
|---|---|
| Total assets | $406,204 |
| Total liabilities | $1,572,778 |

| Item | Year ended March 31, 2018 (Audited) |
|---|---|
| Revenue | $327,784 |
| Costs of sales | $241,196 |

| Item | Year ended March 31, 2018 (Audited) |
|---|---|
| Expenses | |
| Other income | $395 |
| Other gains | $- |
| Gain on bargain purchase of a subsidiary | $- |
| Selling expenses | $(67,027) |
| Administrative expenses | $(893,146) |
| Other operating expenses | $(408,236) |
| Net loss | $(1,406,456) |
| Total comprehensive loss | $(1,426,622) |

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Copies of the management's discussion and analysis of EBN for the nine months ended December 31, 2020, and management's discussion and analysis of EBN for the years ended March 31, 2020, March 31, 2019, and March 31, 2018, are attached as Schedule H and Schedule J, respectively.

**AUTHORIZED SHARE CAPITAL**

The authorized share capital of EBN consists of an unlimited number of class "A" common voting shares (i.e., the EBN Shares), an unlimited number of class "B" common voting shares, an unlimited number of class "C" common non-voting shares, an unlimited number of class "D" common non-voting shares, an unlimited number of class "E" preferred, redeemable, retractable non-voting shares, and an unlimited number of class "F" preferred, redeemable, retractable non-voting shares. For information about the authorized share capital of the Resulting Issuer after giving effect to the Offering and the Proposed Qualifying Transaction, see *"Information about the Resulting Issuer – Description of share capital"*.

**EBN Shares**

As at the date of this prospectus, there are 90,709,856 EBN Shares outstanding. Each EBN Share entitles the holder to: (a) one vote at all meetings of EBN Shareholders (and written actions in lieu of meetings); (b) subject to the rights, privileges, restrictions, and conditions attaching to any other class or series of shares of EBN, receive dividends if, as, and when declared by the EBN Board; and (c) subject to the rights, privileges, restrictions, and conditions attaching to any other class or series of shares of EBN, receive its proportionate share of the remaining property of EBN upon a liquidation, dissolution, or wind-up of EBN, whether voluntary or involuntary.

Pursuant to the EBN Consolidation, EBN will consolidate the EBN Shares on a five-for-one basis. See *"Information about the Proposed Qualifying Transaction – Consolidation"*. Pursuant to the Amalgamation, the EBN Shareholders will exchange all the outstanding EBN Shares for Resulting Issuer Shares on the basis of one Resulting Issuer Share for each EBN Share held, after which the outstanding EBN Shares will be cancelled. See *"Information about the Proposed Qualifying Transaction – Amalgamation"*.

**DIVIDENDS OR DISTRIBUTIONS**

Since incorporation, EBN has not declared any cash dividends or distributions on EBN Shares. There are no restrictions that could prevent EBN from paying dividends or distributions on the EBN Shares, other than the restrictions in the BCBCA, which provide that EBN must not declare or pay a dividend if there are reasonable grounds for believing that EBN is, or would after the payment be, unable to pay its liabilities as they become due, or the realizable value of the assets of EBN would thereby be less than the aggregate of its liabilities and stated capital of all classes.

EBN has no dividend or distribution policy and has no present intention of declaring or paying any dividends or distributions. For a description of the dividend or distribution policy of the Resulting Issuer after giving effect to the Offering

and the Proposed Qualifying Transaction, see *"Information about the Resulting Issuer – Dividends or Distributions"*.

**CONSOLIDATED CAPITALIZATION**

The following table discloses the consolidated capitalization of EBN, on a consolidated basis, as at the date of this prospectus.

| Share/Loan Capital | Authorization | Outstanding |
|---|---|---|
| Class "A" common voting shares (i.e., EBN Shares)(1) | Unlimited | 90,709,856 |
| Class "B" common voting shares(2) | Unlimited | Nil |
| Class "C" common non-voting shares(3) | Unlimited | Nil |
| Class "D" common non-voting shares(4) | Unlimited | Nil |
| Class "E" preferred, redeemable, retractable non-voting shares(5) | Unlimited | Nil |
| Class "F" preferred, redeemable, retractable non-voting shares(6) | Unlimited | Nil |
| EBN Options(7) | N/A | 6,975,000 |
| EBN Warrants(8) | N/A | 16,151,737 |
| EBN Convertible Loan (USD)(9) | N/A | US$1,388,888.00 |
| EBN Convertible Loans (CAD)(10) | N/A | $1,174,784.99 |
| EBN Secured Debentures(11) | N/A | $3,063,114.00 |
| EBN Secured Note(12) | N/A | $320,254.00 |
| Cinatic Shareholder Loans(13) | N/A | $249,000.00 |
| EBN Loans (CAD)(14) | N/A | $425,486.68 |
| EBN Credit Facility(15) | N/A | US$500,000.00 |

Notes:

(1) For a description of the terms of the EBN Shares, see *"Information about EBN – Authorized Share Capital – EBN Shares"*. Pursuant to the EBN Consolidation, EBN will consolidate the EBN Shares on a five-for-one basis. See *"Information about the Proposed Qualifying Transaction – Consolidation"*. Pursuant to the Amalgamation, the EBN Shareholders will exchange all the outstanding EBN Shares on the basis of one Resulting Issuer Share for each one EBN Share held. See *"Information about the Proposed Qualifying Transaction – Amalgamation"*.

(2) For a description of the terms of the class "B" common voting shares, see *"Information about EBN – Authorized Share Capital – Class B Shares"*.

(3) For a description of the terms of the class "C" common non-voting shares, see *"Information about EBN – Authorized Share Capital – Class C Shares"*.

(4) For a description of the terms of the class "D" common non-voting shares, see *"Information about EBN – Authorized Share Capital – Class D Shares"*.

(5) For a description of the terms of the class "E" preferred, redeemable, retractable non-voting shares, see *"Information about EBN – Authorized Share Capital – Class E Shares"*.

(6) For a description of the terms of the class "F" preferred, redeemable, retractable non-voting shares, see *"Information about EBN – Authorized Share Capital – Class F Shares"*.

(7) Each such EBN Option entitles the holder to purchase one EBN Share, at a purchase price ranging from $0.01 to $0.75, for a period of 60 months following the date on which the EBN Option was granted. EBN will adjust the number of outstanding EBN Options to reflect the EBN Consolidation. See *"Information about the Proposed Qualifying Transaction – EBN Consolidation"*. Pursuant to the Option, Warrant and Note Exchange, the EBN Optionholders will exchange all the outstanding EBN Incentive Options for Resulting Issuer Incentive Options on the basis of one Resulting Issuer Option for each one EBN Option held. See *"Information about the Proposed Qualifying Transaction – Option, Warrant and Note Exchange".*

(8) Each such EBN Warrant entitles the holder to purchase one EBN Share, at a purchase price ranging from $0.375 to $0.75, for a period ranging from 12 months to 44 months following the date on which the EBN Warrant was issued. EBN will adjust the number of outstanding EBN Warrants to reflect the EBN Consolidation. See *"Information about the Proposed Qualifying Transaction – EBN Consolidation"*. Pursuant to the Option, Warrant and Note Exchange, the EBN Warrantholders will exchange all the outstanding EBN Warrants for Resulting Issuer Warrants on the basis of one Resulting Issuer Warrant for each one EBN Warrant held. See *"Information about the Proposed Qualifying Transaction – Option, Warrant and Note Exchange".*

(9) The EBN Convertible Loan (USD) bears interest at the rate of 12% per annum, is convertible into EBN Shares at a conversion price of $0.75 per EBN Share, and is payable within 30 days of demand. EBN will adjust the terms of the outstanding EBN Convertible Loan (USD) to reflect the EBN Consolidation. See *"Information about the Proposed Qualifying Transaction – EBN Consolidation"*. Pursuant to the *Option, Warrant and Note* Exchange, the EBN Convertible Debtholders will exchange the EBN Convertible Loan (USD) for the Resulting Issuer Convertible Loan (USD). See *"Information about the Proposed Qualifying Transaction – Option, Warrant and Note Exchange"*.

(10) Each EBN Convertible Loan (CAD) bears interest at the rate of between 4.5% per annum, is convertible into EBN Shares at a conversion price of $0.75 per EBN Share, and matures 24 months following the date on which it was issued (i.e., between August 31, 2022, and December 30, 2022). EBN will adjust the terms of the outstanding EBN Convertible Loans (CAD) to reflect the EBN Consolidation. See *"Information about the Proposed Qualifying Transaction – EBN Consolidation"*. Pursuant to the Option, Warrant and Note Exchange, the EBN Convertible Debtholders will exchange the EBN Convertible Loans (CAD) for Resulting Issuer Convertible Loans (CAD). See *"Information about the Proposed Qualifying Transaction – Option, Warrant and Note Exchange"*.

(11) This represents the aggregate principal amount of EBN Secured Debentures outstanding. Each EBN Secured Debenture bears interest at the rate of 12% per annum and matures 24 months after the date on which the EBN Secured Debenture was issued (i.e., on November 20, 2021). Promptly after the Closing Date, the Resulting Issuer will use a portion of the proceeds of the Offering to repay all of the unpaid principal and accrued and unpaid interest under the EBN Secured Debentures. See "*Information about the Offering – Use of Proceeds*".

(12) The EBN Secured Note bears interest at the rate of 12% per annum and mature ten months after the date on which the EBN Secured Note was issued. Promptly after the Closing Date, the Resulting Issuer will use a portion of the proceeds of the Offering to repay all of the unpaid principal and accrued and unpaid interest under the EBN Secured Notes. See "*Information about the Offering – Use of Proceeds*".

(13) The Cinatic Shareholder Loans are loans from three former shareholders of Cinatic to EBN in the aggregate principal amount of $249,000, which are non-interest bearing and mature upon the issuance of the Final TSXV Bulletin. Promptly after the Closing Date, the Resulting Issuer will use a portion of the proceeds of the Offering to repay all of the unpaid principal and accrued and unpaid interest under the Cinatic Shareholder Loans. See "*Information about the Offering – Use of Proceeds*".

(14) Each EBN Loan (CAD) bears interest at the rate of between 4.5% per annum and matures 24 months following the date on which it was issued (i.e., between February 15, 2023, and March 8, 2023). Promptly after the Closing Date, the Resulting Issuer will use a portion of the proceeds of the Offering to repay a portion of the unpaid principal and accrued and unpaid interest under the EBN Loans (CAD). See "*Information about the Offering – Use of Proceeds*".

(15) For information about the terms of the EBN Credit Facility, see *"Information about the Offering – Use of Proceeds – Other Sources of Funding"*. Promptly after the Closing Date, the Resulting Issuer will use a portion of the proceeds of the Offering to repay all of the unpaid principal and accrued and unpaid interest under the EBN Credit Facility. See "*Information about the Offering – Use of Proceeds*".

For a description of the consolidated capitalization of the Resulting Issuer after giving effect to the Proposed Qualifying Transaction and Offering, see *"Information about the Resulting Issuer – Consolidated Capitalization"*.

As at March 31, 2021, EBN had a working capital deficit including current long-term debt obligations of $10,701,930 and a working capital deficit excluding current long-term debt obligations of $3,061,278. Its monthly "burn rate" (i.e., its average cash expenses excluding costs directly attributable to product sales), is approximately $525,000. The Corporation and EBN believe the Resulting Issuer will have sufficient funds under the Offering to satisfy its burn rate and sustain its operations for the next 12 months, at a minimum.

**PRIOR SALES**

The following table discloses for the 12-month period before the date of this prospectus: (a) the number of EBN Shares, EBN Warrants, and EBN Convertible Debts issued or sold; (b) the price at which EBN Shares, EBN Warrants, and EBN Convertible Debts were issued issue or sold; and (c) the date on which the EBN Shares, EBN Warrants, and EBN Convertible Debts were issued or sold.

| Description of Security | Issue/Exercise Price per Security | Number or Principal Amount of Securities Issued or Sold | Date |
|---|---|---|---|
| EBN Warrants(1) | $0.375 | 179,075 | April 1, 2020 |
| EBN Shares(2) | $0.500 | 1,860,000 | April 27, 2020 |
| EBN Shares(3) | $0.375 | 250,000 | May 12, 2020 |
| EBN Warrants(4) | $0.750 | 1,500 | June 19, 2020 |
| EBN units(5) | $0.750 | 214,934 | June 19, 2020 |
| EBN Convertible Loan (USD)(6) | $0.750 | US$1,388,888 | June 22, 2020 |
| EBN Warrants(1) | $0.375 | 10,000 | July 17, 2020 |
| EBN units(5) | $0.750 | 62,500 | August 21, 2020 |
| EBN Shares(2) | $0.375 | 453,334 | August 13, 2020 |
| EBN Convertible Loans (CAD)(7) | $0.750 | $187,500 | August 31, 2020 |
| EBN Shares(2) | $0.375 | 208,000 | September 1, 2020 |
| EBN Warrants(1) | $0.375 | 16,666 | September 15, 2020 |
| EBN Shares(3) | $0.250 | 2,460,000 | September 17, 2020 |
| EBN Shares(8) | $0.375 | 188,754 | September 18, 2020 |
| EBN Shares(9) | $0.375 | 143,029 | September 18, 2020 |
| EBN Warrants(1) | $0.375 | 166,666 | September 20, 2020 |
| EBN Warrants(1) | $0.375 | 16,666 | October 1, 2020 |
| EBN Convertible Loans (CAD)(7) | $0.750 | $663,284.24 | October 20, 2020 |
| EBN Shares(2) | $0.375 | 68,556 | October 22, 2020 |

| Description of Security | Issue/Exercise Price per Security | Number or Principal Amount of Securities Issued or Sold | Date |
|---|---|---|---|
| EBN Warrants(1) | $0.375 | 3,207,432 | November 8, 2020 |
| EBN units(5) | $0.750 | 30,000 | November 11, 2020 |
| EBN Shares(8) | $0.375 | 36,646 | November 11, 2020 |
| EBN Shares(2) | $0.375 | 955,061 | November 11, 2020 |
| EBN Warrants(1) | $0.375 | 230,000 | November 15, 2020 |
| EBN Warrants(10) | $0.375 | 625,338 | November 20, 2020 |
| EBN Convertible Loans (CAD)(5) | $0.750 | $24,000.50 | November 23, 2020 |
| EBN Shares(2) | $0.375 | 156,000 | December 21, 2020 |
| EBN Convertible Loans (CAD)(5) | $0.750 | $300,000.25 | December 30, 2020 |
| EBN Shares(8) | $0.375 | 159,812 | January 7, 2021 |
| EBN Warrants(1) | $0.375 | 70,000 | January 15, 2021 |
| EBN Shares(2) | $0.375 | 68,556 | January 15, 2021 |
| EBN Shares(2) | $0.375 | 68,556 | January 19, 2021 |
| EBN Shares(2) | $0.375 | 1,398,533 | January 20, 2021 |
| EBN Warrants(1) | $0.375 | 33,334 | January 23, 2021 |
| EBN Warrants(1) | $0.375 | 6,667 | January 24, 2021 |
| EBN Warrants(1) | $0.375 | 166,666 | February 8, 2021 |
| EBN Warrants(1) | $0.375 | 166,666 | February 13, 2021 |
| EBN Warrants(1) | $0.375 | 183,332 | March 2, 2021 |
| EBN Shares(3) | $0.375 | 13,333 | March 8, 2021 |
| EBN Shares(2) | $0.375 | 2,197,069 | March 8, 2021 |
| EBN Shares(2) | $0.500 | 1,320,000 | March 8, 2021 |
| EBN Shares(3) | $0.375 | 1,002,405 | May 14, 2021 |

Notes:

(1) These EBN Warrants were issued pursuant to the terms of the EBN Convertible Notes. Each such EBN Warrant entitles the holder to purchase one EBN Share, at a price of $0.375 per EBN Share, for a period of 24 months following the date on which the EBN Warrant was issued.

(2) These EBN Shares were issued pursuant to the conversion of EBN Convertible Notes.

(3) These EBN Shares were issued pursuant to the exercise of EBN Warrants.

(4) Each such EBN Warrant entitles the holder to purchase one EBN Share, at a price of $0.75 per EBN Share, for a period of 24 months following the date on which the EBN Warrant was issued.

(5) Each such EBN Unit consisted of one EBN Share and one EBN Warrant. Each such EBN Warrant entitles the holder to purchase one EBN Share, at a price of $0.75 per EBN Share, for a period of 24 months following the date on

which the EBN Warrant was issued.

(6) The EBN Convertible Loan (USD) bears interest at the rate of 12% per annum, is convertible into EBN Shares at a conversion price of $0.623 per EBN Share, and is payable within 30 days of demand.

(7) Each such EBN Convertible Loan (CAD) bears interest at the rate of 4.5% per annum, is convertible into EBN Shares at a conversion price of $0.75 per EBN Share, and matures 24 months following the date on which the EBN Convertible Loan (CAD) was issued.

(8) EBN issued these EBN Shares in lieu of interest payments in relation to the EBN Convertible Notes.

(9) EBN issued these EBN Shares in lieu of interest payments in relation to the EBN Secured Debenture.

(10) These EBN Warrants were issued pursuant to the terms of the EBN Secured Debenture. Each such EBN Warrant entitles the holder to purchase one EBN Share, at a price of $0.375 per EBN Share, prior to July 7, 2023.

**PRINCIPAL SECURITYHOLDERS**

Except as disclosed in the following table, no Person or Company beneficially owns, directly or indirectly, or exercises control over direction over, EBN Shares carrying in aggregate 10% or more of the votes attached to all the outstanding EBN Shares on a non-diluted basis. For the principal securityholders of the Resulting Issuer after giving effect to the Offering, see "*Information about the Resulting Issuer – Principal Securityholders*".

| Name | Number of Outstanding EBN Shares | Type of Ownership | Percentage of Outstanding EBN Shares |
|---|---|---|---|
| Craig Smith | 12,004,622 | Registered and Beneficial Ownership | 13.38% |

**DIRECTORS AND OFFICERS**

**Name, Occupation, and Security Holdings**

The following table discloses certain information about the EBN Directors and executive officers of EBN.

| Name, Province, and Country of Residence | Role | Date of Election/ Appointment as Director | Present Occupation and Principal Occupation for Past Five Years | EBN Shares Held | Percentage of EBN Shares Held |
|---|---|---|---|---|---|
| Craig Smith, Guanacaste Province, Costa Rica | Chair, Chief Executive Officer | April 19, 2012 | Chief Executive Officer of EBN. Prior thereto, Chair and President and Chief Executive Officer of EBN. | 12,004,622 | 13.38% |
| Kalvie Legat, Alberta, Canada | Chief Financial Officer, Executive Vice President, and Corporate Secretary | N/A | Chief Financial Officer and Corporate Secretary of EBN. Prior thereto, Executive Vice President, Head of Corporate Development of EBN. Prior thereto, Chief Financial Officer of EBN. Prior thereto, Branch Manager and Institutional Salesperson of Integral Wealth Securities Limited, an investment dealer. | 1,000,000 | 1.11% |

| Name, Province, and Country of Residence | Role | Date of Election/ Appointment as Director | Present Occupation and Principal Occupation for Past Five Years | EBN Shares Held | Percentage of EBN Shares Held |
|---|---|---|---|---|---|
| Ernest Levenson, Oregon, USA | President | N/A | President of EBN. Prior thereto, President of Vtech Communications, Inc., a consumer discretionary company. | Nil | 0% |
| Katica Viskovic, Hvar, Croatia | Chief Operating Officer | N/A | Chief Operating Officer of EBN. | 800,000 | 0.89% |
| Wong Wing Kiong, Singapore | Director and Chief Product Officer | November 21, 2019 | Director and Chief Product Officer of EBN. Prior thereto, Chief Operating Officer of Cinatic, a technology company. | 5,511,068 | 6.14% |
| Chris Taylor, Alberta Canada | Vice President Finance | January 4, 2021 | Vice President Finance of EBN. Prior thereto, Supervisor Financial Reporting at Jupiter Resources Ltd., an energy company, and Senior Financial Accountant at Bellatrix Exploration Ltd., an energy company. | Nil | 0% |

As a group, the EBN Directors and EBN Officers beneficially own, or control or direct, directly or indirectly, 19,315,690 EBN Shares, representing 21.53% of the outstanding EBN Shares.

**Cease Trade Orders, Bankruptcies, Penalties, or Sanctions**

No EBN Director or EBN Officer is, as at the date of this prospectus, or was within ten years before the date of this prospectus, a director, chief executive officer, or chief financial officer of any Person or Company (including EBN), that: (a) was subject to an Order that was issued while the EBN Director or EBN Officer was acting in the capacity as director, chief executive officer, or chief financial officer; or (b) was subject to an order that was issued after the EBN Director or EBN Officer ceased to be a director, chief executive officer, or chief financial officer and which resulted from an event that occurred while that individual was acting in the capacity as director, chief executive officer, or chief financial officer.

Furthermore, no EBN Director or EBN Officer: (a) is, as at the date of this prospectus, or has been within the ten years before the date of this prospectus, a director or officer of any Person or Company (including EBN) that, while that individual was acting in that capacity, or within a year of that individual ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold her or his assets; or (b) has, within the ten years before the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager, or trustee appointed to hold the assets of the EBN Director or EBN Officer.

No EBN Director or EBN Officer has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

**Conflicts of Interest**

The BCBCA requires the EBN Directors and EBN Officers, in exercising their powers and discharging their responsibilities, to

act honestly and in good faith with a view to the best interests of EBN, and exercise the care, diligence, and skill that a reasonably prudent individual would exercise in comparable circumstances. In addition, the BCBCA requires any EBN Directors and EBN Officers who is a party to a material contract or material transaction or proposed material contract or proposed material transaction with EBN, or is a director or an officer of or has a material interest in any Person or Company that is a party to a material contract or material transaction or proposed material contract or proposed material transaction with EBN, to disclose in writing to EBN or request to have entered in the minutes of the EBN Board the nature and extent of the interest.

To the knowledge of EBN, there are no existing material conflicts of interest between EBN and any EBN Director or EBN Officer. Certain EBN Directors and EBN Officers act as directors and officers of other Persons or Companies. It is possible that material conflicts of interest between EBN and the EBN Directors and EBN Officers may arise due to them acting as directors and officers of other Persons or Companies.

For information about conflicts of interest involving the Resulting Issuer Directors and Resulting Officers after giving effect to the Offering and the Proposed Qualifying Transaction, see *"Information about the Resulting Issuer – Directors and Officers – Cease Trade Orders, Bankruptcies, Penalties, or Sanctions"*.

**PROMOTERS**

The following table discloses information about each person who is, or has been within the two years immediately preceding the date of the prospectus, a Promoter of EBN:

| Name | Number of Outstanding EBN Shares | Percentage of Outstanding EBN Shares |
|---|---|---|
| Craig Smith | 12,004,622 | 13.38% |
| Wing Kiong Wong | 5,511,068 | 6.14% |

**EXECUTIVE COMPENSATION**

Securities Laws require EBN to disclose all the direct and indirect compensation that it provided to EBN Directors and EBN Named Executive Officers for, or in connection with, the services they provided to EBN or an EBN Subsidiary for the two most recently completed financial years of EBN (i.e., the financial years ended March 31, 2020, and March 31, 2019), and the decision-making process relating to that compensation.

**Summary Compensation Table**

The following table discloses compensation (other than compensation securities) paid to or awarded to the EBN Directors and EBN Named Executive Officers for the two most recently completed financial years of EBN (i.e., the financial years ended March 31, 2020, and March 31, 2019) for services provided, directly or indirectly, to EBN or any of the EBN Subsidiaries.

| Name and Position | Year | Salary, Consulting Fee, Retainer or Commission ($) | Bonus ($) | Committee or Meeting Fees ($) | Value of Perquisites ($) | Value of Other Compensation ($) | Total Compensation ($) |
|---|---|---|---|---|---|---|---|
| Craig Smith, | 2020 | $111,670 | Nil | Nil | Nil | Nil | $111,670 |

| Name and Position | Year | Salary, Consulting Fee, Retainer or Commission ($) | Bonus ($) | Committee or Meeting Fees ($) | Value of Perquisites ($) | Value of Other Compensation ($) | Total Compensation ($) |
|---|---|---|---|---|---|---|---|
| Chair and Chief Executive Officer[1] | 2019 | $125,000 | Nil | Nil | Nil | $505,350[2] | $630,350 |
| John Hanna, Former Chief Financial Officer[3] | 2020 | $4,038 | Nil | Nil | Nil | Nil | $4,038 |
| | 2019 | Nil | Nil | Nil | Nil | Nil | Nil |
| Kalvie Legat, Chief Financial Officer, Executive Vice President, and Corporate Secretary[4] | 2020 | $110,000 | Nil | Nil | Nil | Nil | $110,000 |
| | 2019 | $50,000 | Nil | Nil | Nil | Nil | $50,000 |
| Connor Tobin, Former Director and Chief Innovation Officer [5] | 2020 | N/A | N/A | N/A | N/A | N/A | N/A |
| | 2019 | $125,000 | Nil | Nil | Nil | Nil | $125,000 |
| Wong Wing Kiong, Director and Chief Product Officer[6] | 2020 | $181,650 | Nil | Nil | Nil | Nil | $181,650 |
| | 2019 | $111,738 | Nil | Nil | Nil | $505,350[7] | $111,738 |

Notes:

(1) Total compensation was received in Mr. Smith's capacity as an officer of EBN, not as an EBN Director. Mr. Smith was paid $67,500 Canadian and US$83,265 in salary. Total salary was calculated using an average 2020 USD/CAD of 1.3415.

(2) On April 1, 2019, Mr. Smith was granted 1,000,000 EBN Options with a total value on the exercise date of $505,350. See *"Stock Options and Other Compensation Securities"* below.

(3) Mr. Hanna was appointed as Chief Financial Officer of EBN on March 20, 2020, and resigned as Chief Financial Officer of EBN on October 16, 2020.

(4) Mr. Legat was appointed Chief Financial Officer of EBN on November 1, 2018; resigned as Chief Financial Officer and was appointed Executive Vice President, Head of Corporate Development of EBN on March 19, 2020; was

appointed Corporate Secretary on December 8, 2020; and was re-appointed Chief Financial Officer of EBN on March 31, 2021.

(5) Mr. Tobin resigned as an EBN Director and Chief Innovation Officer of EBN on November 21, 2019.

(6) Mr. Wong was elected as Chief Product Officer of EBN on February 1, 2019, and as an EBN Director on November 21, 2019. In 2020, Mr. Wong was paid HK$1,050,000, total compensation was calculated using an average 2020 HKD/CAD of 0.1730. In 2020, Mr. Wong was paid HK$660,000, total compensation was calculated using an average 2019 HKD/CAD of 0.1693.

(7) On April 1, 2019, Mr. Wong was granted 1,000,000 EBN Options with a total value on the exercise date of $505,350. See *"Stock Options and Other Compensation Securities"* below.

**Stock Options and Other Compensation Securities**

The following table disclose all compensation securities granted or issued to each EBN Director and EBN Named Executive Officer by EBN or any EBN Subsidiary in the most recently completed financial year (i.e., the financial year ended March 31, 2020) for services provided or to be provided, directly or indirectly, to EBN or any EBN Subsidiary.

| Name and Position | Type of Security | Number of Securities, Number of Underlying Securities, and Percentage of Class[1] | Date of Issue or Grant | Issue, Conversion, or Exercise Price ($) | Price of Security or Underlying Security on Date of Grant ($) | Closing Price of Security or Underlying Security at Year End ($) | Total Value on Exercise Date ($)[2] |
|---|---|---|---|---|---|---|---|
| Craig Smith, Chair and Chief Executive Officer | EBN Option | 1,000,000 (0.84%) | April 1, 2019 | $0.375 | $0.375 | $0.75 | $505,350 |
| John Hanna, Former Chief Financial Officer[3] | N/A | Nil | N/A | Nil | Nil | Nil | Nil |
| Kalvie Legat, Chief Financial Officer, Executive Vice President and Corporate Secretary[4] | N/A | Nil | N/A | Nil | Nil | Nil | Nil |

| Name and Position | Type of Security | Number of Securities, Number of Underlying Securities, and Percentage of Class[1] | Date of Issue or Grant | Issue, Conversion, or Exercise Price ($) | Price of Security or Underlying Security on Date of Grant ($) | Closing Price of Security or Underlying Security at Year End ($) | Total Value on Exercise Date ($)[2] |
|---|---|---|---|---|---|---|---|
| Connor Tobin, former Director and former Chief Innovation Officer[5] | N/A | 400,000 (0.34%) | N/A | Nil | Nil | Nil | Nil |
| Wong Wing Kiong, Director and Chief Product Officer[6] | EBN Option | 1,000,000 (0.84%) | April 1, 2019 | $0.375 | $0.375 | $0.75 | $505,350 |

Notes:

(1) Based on the number of outstanding EBN Shares on a fully-diluted basis as of the date of this prospectus.

(2) The exercise date fair value of options awarded was calculated using the Black-Scholes model and is the Black-Sholes value as of the grant date. The Black-Scholes factor has been determined using a five year expected life and treasury bond rate of 0.18%. The closing price of the EBN Shares at year end was determined using the last prior sale of EBN Shares prior to year end.

(3) Mr. Hanna was appointed as Chief Financial Officer of EBN on March 19, 2020, and resigned as Chief Financial Officer of EBN on October 16, 2020.

(4) Mr. Legat was appointed Chief Financial Officer of EBN on November 1, 2018; resigned as Chief Financial Officer and was appointed Executive Vice President, Head of Corporate Development of EBN on March 19, 2020; was appointed Corporate Secretary on December 8, 2020; and was re-appointed Chief Financial Officer of EBN on March 31, 2021.

(5) Mr. Tobin resigned as an EBN Director and Chief Innovation Officer of EBN on November 21, 2019.

(6) Mr. Wong was elected as Chief Product Officer of EBN on February 1, 2019, and as an EBN Director on November 21, 2019.

**Stock Options and Other Compensation Securities**

As at the date of this prospectus, there are 6,975,000 EBN Options outstanding. EBN granted all of the EBN Options under the EBN Option Plan. Each EBN Option entitles the holder to purchase one EBN Share, at a purchase price ranging from $0.01 to $0.75, for a period of 60 months following the date on which the EBN Option was granted.

***Stock Option Plans and Other Incentive Plans***

The purposes of the EBN Option Plan are to attract and retain EBN Directors, EBN Officers, employees, and consultants, and

align the interests of those EBN Directors, EBN Officers, employees, and consultants with the interests of the EBN Shareholders. Each EBN Option that EBN grants under the EBN Option Plan entitles the optionee to purchase one EBN Share on the terms more particularly described below.

***EBN Shares Subject to the EBN Option Plan***

The EBN Option Plan is a "rolling" stock option plan, which means that the total number of EBN Options that EBN grants under the EBN Option Plan cannot exceed 10% of the outstanding EBN Shares, calculated on the date of each grant.

***Participation Limits***

The total number of EBN Shares that EBN grants under the EBN Option Plan to any one optionee must not exceed 5% of the outstanding EBN Shares, calculated on the date of the grant. Furthermore, the number of EBN Shares that EBN grants under the EBN Option Plan in any 12-month period to an optionee who is an EBN Director, EBN Officer, or employee must not exceed 5% of the outstanding EBN Shares, and the number of EBN Shares that EBN grants under the EBN Option Plan in any 12-month period to an optionee who is a consultant must not exceed 2% of the outstanding EBN Shares, in each case calculated on the date of the grant.

***Exercise Price***

The EBN Board is responsible for determining the exercise price of each EBN Option. There are no restrictions in the EBN Option Plan on the exercise price of an EBN Option.

***Vesting Date***

The EBN Board is responsible for determining the vesting date of each EBN Option. There are no restrictions in the EBN Option Plan on the vesting date of an EBN Option.

***Expiry Date***

The expiry date of an EBN Option must not be more than 24 months after its vesting date.

**Employment, Management, and Consulting Agreements**

EBN has written employment agreements with each of its Named Executive Officers. Each Named Executive Officer is entitled to receive compensation established at the discretion of EBN, as well as certain other benefits pursuant to plans made available to senior employees. All employee and consultant agreements are subject to annual review and adjustment on April 1 of each year.

On April 1, 2019, EBN entered into an employment agreement with Craig Smith. The employment agreement provides for his base salary and option bonus and includes, among other things, certain restrictive covenants, expenses, and the terms of his eligibility for EBN benefit plans. In the case of termination of employment for other than cause, Mr. Smith will be entitled to continued base salary for 12 months following the date of termination plus an additional month for each completed year of employment and is eligible for participation in the EBN benefit plans until the end of the notice period.

On October 31, 2018, EBN entered into an employment agreement with Kalvie Legat. The employment agreement provides for his base salary and option bonus and includes, among other things, certain restrictive covenants and the terms of his eligibility for EBN benefit plans. In the case of termination of employment for other than cause, Mr. Legat will be entitled to continued base salary for two weeks following the date of termination plus an additional week for each completed year of employment and is eligible for participation in EBN benefit plans until the end of the notice period.

In the event of a change of control, the Named Executive Officers of EBN are entitled to the following compensation, along with any vested options acquired before the change of control event:

| Change of Control Payments | |
|---|---|
| **Craig Smith, Chair and Chief Executive Officer:** | $285,000 (i.e., $180,000, representing 12 months severance, plus $105,000, representing seven months further severance calculated based on one month of additional severance for each year of service) lump sum within two weeks of the termination of his employment for any reason other than cause. |
| **Kalvie Legat, Chief Financial Officer and Corporate Secretary** | $7,500 lump sum within two weeks of the termination of his employment for any reason other than cause. |

**Oversight and Description of Director and Named Executive Officer Compensation**

***Overview***

The EBN Board currently does not have any formal compensation-setting policies or programs in place. In determining compensation, the EBN Directors consider industry standards and the financial situation of EBN. The performance of each individual EBN Director or EBN Officer is informally monitored, having in mind the business strengths of the individual and the purpose of their position.

For information about Resulting Issuer Director and Resulting Issuer Named Executive Officer compensation, see "*Information about the Resulting Issuer – Oversight and Description of Director and Named Executive Officer Compensation*".

***Compensation-Setting Process***

The EBN Board currently does not have any formal compensation-setting policies or program in place. In establishing compensation for EBN Directors and executive EBN Officers, the EBN Board seeks to accomplish the following goals:

- to recruit and retain highly-qualified EBN Directors and executive EBN Officers by offering competitive compensation;
- to motivate EBN Directors and executives to achieve important corporate and personal performance objectives and reward them when such objectives are met; and
- to align the interests of the EBN Directors and EBN Officers with the long-term interests of the EBN Shareholders through participation in the EBN Option Plan.

***Principal Elements of Compensation***

EBN offers its executive officers cash compensation in the form of base salary and annual bonuses. Equity-based compensation is awarded in the form of stock options under the EBN Option Plan. Base salaries and bonuses for EBN Officers are reviewed on an informal basis, taking into consideration the accomplishment of key milestones and metrics by EBN, individual performance, industry trends, and the financial condition of EBN.

***Stock Option Plan***

In 2019, EBN established the EBN Option Plan, an incentive stock option plan. The EBN Option Plan is intended to: (a) enhance the ability of EBN to attract and retain highly-qualified EBN Directors, officers, employees, consultants, and advisers; (b) reward EBN Directors, officers, employees, consultants, and advisers for their contributions; and (c) align the interests of EBN Directors, officers, employees, consultants, and advisers with the long-term interests of the EBN Shareholders through the granting of EBN Options.

The EBN Option Plan entitles the EBN Board to make any adjustments to the EBN Option Plan they deem appropriate in response to any changes in the share capital of EBN, including the subdivision, combination, or reclassification of EBN Shares, adjustments to the exercise price and adjustments to the number of EBN Shares to which an optionee is entitled upon the exercise of their EBN Options.

***Pension Disclosure***

EBN does not provide a pension to any EBN Director or EBN Named Executive Officer. For similar disclosure concerning the Resulting Issuer after giving effect to the Offering and the Proposed Qualifying Transaction, see *"Information about the Resulting Issuer – Executive Compensation – Pension Disclosure".*

**INDEBTEDNESS OF DIRECTORS AND OFFICERS**

Except for Routine Indebtedness, none of the EBN Directors, EBN Officers, or employees of EBN; former EBN Directors, EBN Officers, or employees of EBN; or directors, officers, employees, or former directors, officers, or employees of any EBN Subsidiary is: (a) indebted to EBN; or (b) indebted to another Person or Company where such indebtedness is the subject of a guarantee, support agreement, letter of credit, or other similar arrangement or understanding provided by EBN or any EBN Subsidiary.

**CORPORATE GOVERNANCE**

**Board of Directors**

The EBN Board is currently composed of two EBN Directors, namely Craig Smith (Chair) and Wong Wing Kiong.

There are no current members of the EBN Board who are independent. The current members of the EBN Board who are not independent are Craig Smith and Wong Wing Kiong. The EBN Board considers these members to not be independent because they have direct or indirect relationships with EBN that could, in the view of the EBN Board, be reasonably expected to interfere with the exercise of their independent judgment. In particular, Craig Smith is the Chief Executive Officer of EBN and Wong Wing Kiong is the Chief Product Officer of EBN.

**Other Directorships**

No current or proposed member of the EBN Board is currently a director of a Reporting Issuer in Canada.

**Orientation and Continuing Education**

The EBN Board currently does not have a formal orientation and continuing education policy or program in place. The EBN Board provides new EBN Directors with relevant board policies, corporate and business information on an informal basis.

**Ethical Business Conduct**

The EBN Board currently does not have formal policies or programs in place to encourage and promote a culture of ethical business conduct. However, it expects the Resulting Issuer to adopt a formal code of conduct following the completion of the Proposed Qualifying Transaction.

**Nomination of Directors**

The EBN Board currently does not have a formal policies or programs in place for the nomination of EBN Directors. The EBN Board is responsible for identifying individuals qualified to become members of the EBN Board and recommending these individuals for election by the shareholders.

**Compensation**

The EBN Board currently does not have a formal policy program in place for determining EBN Director compensation. The EBN Board determines board member compensation on an informal basis, taking into consideration the compensation paid to directors of comparable Canadian companies, the performance of individual EBN Directors, industry standards, and the financial situation of EBN.

**Assessments**

The EBN Board currently does not have a formal policy or program in place for assessing the performance of individual board members. The EBN Board assesses EBN Director performance on an informal basis, taking into consideration the effectiveness, contributions, skills and experience of each EBN Director in the context of the strategic goals of EBN.

**Audit Committee**

The EBN Board does not have an audit committee. However, all of the EBN Directors have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of EBN. The EBN Directors are responsible for overseeing the work of RSM Canada LLP, Chartered Professional Accountants, the external auditor of EBN.

***Auditor***

The external auditor of EBN is RSM Canada LLP, Chartered Professional Accountants, 11 King Street West, Suite 700, Toronto, Ontario M5H 4C7. RSM Canada LLP audited the annual financial statements of EBN for the year ended March 31, 2020. RSM Canada LLP has confirmed to EBN that it is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

RSM Alberta LLP, Chartered Professional Accountants, 777 8 Avenue SW, Suite 1400, Calgary, Alberta T2P 3R5, audited the annual financial statements of EBN for the years ended March 31, 2019, March 31, 2018, and March 31, 2017. RSM Alberta LLP has confirmed that it is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

***Auditor Service Fees***

The following table discloses the aggregate fees billed by RSM Canada LLP, the external auditor of EBN, since its appointment on October 5, 2020, and RSM Alberta LLP, the former external auditor of EBN, between its appointment on June 12, 2019, and its termination on October 5, 2020.

| | Category of Fee | 2020 | 2019 |
|---|---|---|---|
| (a) | Audit Fees(1) | $342,271 | $263,528 |
| (b) | Audit-Related Fees(2) | $54,600 | $43,000 |
| (c) | Tax Fees(3) | Nil | Nil |
| (d) | All Other Fees(4) | $74,664 | Nil |
| | **Total** | **$471,535** | **$305,528** |

Notes:

(1) Represents the aggregate fees billed by the external auditor for audit fees.

(2) Represents the aggregate fees billed for assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the financial statements of EBN and are not reported in line (a) of the table.

(3) Represents the aggregate fees billed for professional services rendered by the external auditor for tax compliance, tax advice, and tax planning.

(4) Represents the aggregate fees billed for products and services provided by the external auditor, other than the services reported in lines (a), (b) and (c) of the table.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

### Legal Proceedings

Neither EBN nor, nor any EBN Subsidiary, nor any of its property is, or has been since the beginning of the most recently completed financial year for which financial statements of EBN are included in this prospectus (i.e., the financial year ended March 31, 2020), the subject of any material legal proceedings, and to the knowledge of EBN, no such legal proceedings are contemplated.

### Regulatory Actions

No penalty or sanction has been imposed against EBN by a court relating to Securities Law or by a Securities Regulatory Authority within the three years immediately preceding the date of this prospectus. Furthermore, EBN has not, within the three years immediately preceding the date of this prospectus, entered into any settlement agreement before a court relating to Securities Law or with a Securities Regulatory Authority.

## INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No EBN Director or officer of EBN, or Person or Company that owns, or controls or directs, directly or indirectly, more than 10% of the outstanding EBN Shares, or any affiliate of a EBN Director or officer of EBN or Person or Company that owns, or controls or directs, directly or indirectly, more than 10% of the outstanding EBN Shares, has had, within the three most recently completed financial years of EBN (i.e., the financial years ended March 31, 2020, March 31, 2019, and March 31, 2018) or during the current financial year of EBN, any material interest, direct or indirect, in any transaction that has materially affected or is reasonably expected to materially affect EBN.

## REGISTRAR AND TRANSFER AGENT

EBN does not have a registrar or transfer agent.

## MATERIAL CONTRACTS

The following is a list of each contract that is material to EBN that EBN has entered into since the beginning of its last financial year ending before the date of this prospectus (i.e., the financial year ended March 31, 2020), or before the beginning of its last financial year ending before the date of this prospectus (i.e., the financial year ended March 31, 2020) that is still in effect:

The following is a list of each contract that is material to EBN that EBN has entered into since the beginning of its last financial year ending before the date of this prospectus (i.e., the financial year ended March 31, 2020), or before the beginning of its last financial year ending before the date of this prospectus (i.e., the financial year ended March 31, 2020) that is still in effect:

(a) Trademark License Agreement dated July 30, 2018, between EBN and Eastman Kodak Company;

(b) Trademark License Agreement dated July 30, 2018, between Eastman Kodak Company and EBN, amended pursuant to the First Amendment to Trademark License Agreement, dated December 4, 2019;

(c) Wear OS Software License Agreement dated October 30, 2018, between EBN and Google LLC, as amended on December 22, 2020;

(d) License Agreement dated April 1, 2019, between EBN and Motorola Mobility LLC;

(e) Wearables Development Agreement dated December 23, 2019, between EBN and Globics Technology Limited;

(f) EBN Secured Debentures;

(g) EBN Secured Note;

(h) Framework Agreement dated April 16, 2020, between EBN and Stenn;

(i) Contract for the Sale of Future Receivables dated August 5, 2020, between CMC and EBN;

(j) Contract for the Sale of Future Receivables dated October 13, 2020, between CMC and EBN;

(k) Definitive Supply Agreement dated October 23, 2020, between EBN and Luxshare Precision Ltd.;

(l) Amended and Restated Amalgamation Agreement;

(m) C6 Agreement;

(n) EBN Credit Facility;

(o) Agency Agreement; and

(p) Subscription Receipt Agreement.

Copies of these contracts will be made available under the SEDAR profile of the Resulting Issuer at www.sedar.com.

## INFORMATION ABOUT THE PROPOSED QUALIFYING TRANSACTION

### BACKGROUND TO THE PROPOSED QUALIFYING TRANSACTION

On November 30, 2018, the Corporation, a CPC, completed a private placement of Shares for gross proceeds of $180,000. See *"Information about the Corporation – Prior Sales"*. Craig Smith, the Chair and Chief Executive Officer of EBN, and Connor Tobin, a former EBN Director and officer of EBN, were participants in the private placement.

On May 15, 2019, the Corporation completed its IPO, and on May 23, 2019, Shares were listed on the TSXV and commenced trading under the symbol "CEBI.P". Two weeks after the listing, David Henderson, a director and President and Chief Executive Officer of the Corporation; Brian Prokop, the Chief Financial Officer of the Corporation; Mr. Smith; and Kalvie Legat, the Chief Financial Officer of EBN, began negotiating the Letter of Intent, setting out the terms under which the Corporation and EBN would be prepared to consummate a business combination that would constitute the Qualifying Transaction of the Corporation under Policy 2.4.

On June 17, 2019, the Corporation and EBN executed the Letter of Intent, and on June 18, 2019, the TSXV halted trading of Shares pending the dissemination of the press release announcing the execution of the Letter of Intent. On June 11, 2019, the last day the Shares traded before the trading halt, the closing price of the Shares was $0.245 per Share.

During the month of July 2019, the Corporation and EBN discussed strategies to raise capital and identified and evaluated a number of potential investment dealers to act as agents. On July 30, 2019, the Corporation, EBN, and Integral executed an engagement letter under which Integral agreed to act as Agent of the Corporation and EBN in connection with an offering of Subscription Receipts on a "commercially-reasonable efforts" basis.

During the months of August and September 2019, Messrs. Henderson, Legat, Prokop, and Smith negotiated the definitive terms of the Amalgamation Agreement. During the same period, EBN prepared, and the external auditor of EBN conducted its audit of, the EBN Annual Financial Statements.

On March 12, 2020, the Corporation, Subsidiary, and EBN executed the Amalgamation Agreement and issued a press release in connection therewith on March 13, 2020. See *"Information about the Proposed Qualifying Transaction – Amended and Restated Amalgamation Agreement"*.

On March 27, 2020, the Corporation, Subsidiary, and EBN executed Amendment No. 1 and issued a press release in connection therewith on April 2, 2020. The Amalgamation Agreement originally contemplated the consummation of a private placement of EBN Shares and EBN Warrants. Amendment No. 1 changed this to the consummation of the Offering.

On October 13, 2020, the Corporation, Subsidiary, and EBN executed Amendment No. 2 and issued a press release in connection therewith. Amendment No. 2 changed the deadline to complete the Proposed Qualifying Transaction from 4:00 p.m. (Mountain Time) on June 30, 2020, to 4:00 p.m. (Mountain Time) on December 31, 2020.

On January 28, 2021, the Corporation, Subsidiary, and EBN executed the Amended and Restated Amalgamation Agreement and issued a press release in connection therewith. See *"Information about the Proposed Qualifying Transaction – Amended and Restated Amalgamation Agreement"*.

On March 26, 2021, the Corporation, Subsidiary, and EBN executed Amendment No. 3 and issued a press release in connection therewith. Amendment No. 3 changed the minimum gross proceeds required to be raised under the Offering from $5,000,000 to $10,000,000.

### AMENDED AND RESTATED AMALGAMATION AGREEMENT

The following is a summary of the Amended and Restated Amalgamation Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Amended and Restated Amalgamation Agreement, which has been filed by the Corporation with Securities Regulatory Authorities and is available under the Corporation's profile on SEDAR at www.sedar.com. The Amended and Restated Amalgamation Agreement:

- requires the Corporation to prepare this prospectus in accordance with Securities Laws and file this prospectus with the Securities Regulatory Authorities in the Reporting Jurisdictions (see "*Information about the Offering – Plan of Distribution*");
- requires the Corporation to prepare the Circular in accordance with Laws and TSXV policies, and send copies of the Circular to each Shareholder, the auditor of the Corporation, the Securities Regulatory Authorities in the provinces of British Columbia, Alberta, and Ontario, and the TSXV;
- requires the Corporation to hold the Meeting;
- requires EBN to prepare the EBN Circular in accordance with Laws, and send copies of the Circular to each EBN Shareholder and the auditor of EBN;
- requires EBN to hold the EBN Meeting;
- requires EBN to promptly notify the Corporation of any EBN Shareholder that intends to exercise Dissent Rights and permit the Corporation to participate in any negotiation or Proceeding with respect to the Dissent Right;
- requires the Parties to use Commercially Reasonable Efforts to obtain TSXV Acceptance;
- requires the Parties to use Commercially Reasonable Efforts to consummate the Consolidation and EBN Consolidation on or before the Outside Time (see *"Information about the Proposed Qualifying Transaction – Consolidation"* and *"Information about the Proposed Qualifying Transaction – Name Change"*);
- requires the Parties to use Commercially Reasonable Efforts to consummate the Amalgamation on or before the Outside Time (see *"Information about the Proposed Qualifying Transaction – Amalgamation"*);
- requires the Parties to use Commercially Reasonable Efforts to consummate the Option, Warrant and Note Exchange on or before the Outside Time (see *"Information about the Proposed Qualifying Transaction – Option, Warrant and Note Exchange"*);
- contains customary representations and warranties of the Corporation about the capital, business, and operations of the Corporation and Subsidiary;
- contains customary representations and warranties of EBN about the capital, business, and operations of EBN and the EBN Subsidiaries;
- requires the Corporation and Subsidiary to refrain from making certain fundamental changes to their respective capital, business, or operations before the Closing Date (other than the fundamental changes contemplated by the Proposed Qualifying Transaction);
- requires EBN and the EBN Subsidiaries to refrain from making certain fundamental changes to their respective capital, business, or operations before the Closing Date (other than the fundamental changes contemplated by the Proposed Qualifying Transaction);
- requires all the Parties and their Subsidiaries to refrain from soliciting Acquisition Proposals (see "*Information about the Proposed Qualifying Transaction – Mutual Obligations Regarding Non-Solicitation*";
- provides that the obligations of the Corporation and Subsidiary to complete the Proposed Qualifying Transaction are subject to the following conditions, among others:
    - that, individually and in the aggregate, the representations and warranties of EBN in the Amended and Restated Amalgamation Agreement were accurate on the date of the Amended and Restated Amalgamation Agreement and are accurate at the Closing Date;
    - that EBN has complied, individually and in the aggregate, with those of its obligations in this agreement that it is required to comply with before the Closing Date;
    - that the EBN Board has made no Change in Recommendation;
    - that the TSXV has granted TSXV Acceptance;
    - that the Offering has closed and the gross proceeds thereof were not less than $10,000,000;
    - that the Shareholders have passed the Consolidation Resolution;
    - that the EBN Shareholders have passed the EBN Consolidation Resolution and Amalgamation Resolution;
    - that Dissent Rights in respect of not more than 5% of the outstanding EBN Shares have been exercised;
    - that no Adverse Material Change to EBN has occurred since the date of the Amended and Restated Amalgamation Agreement;
    - that there is in effect no Law or Order that prevents the consummation of the Proposed Qualifying Transaction; and

  - that there is neither pending nor threatened any Proceeding seeking to prevent the consummation of the Proposed Qualifying Transaction.
- provides that the obligations of EBN to complete the Proposed Qualifying Transaction are subject to the following conditions, among others:
  - that, individually and in the aggregate, the representations and warranties of the Corporation in the Amended and Restated Amalgamation Agreement were accurate on the date of the Amended and Restated Amalgamation Agreement and are accurate at the Closing Date;
  - that the Corporation and Subsidiary have complied, individually and in the aggregate, with those of its obligations in the Amended and Restated Amalgamation Agreement that they are required to comply with before the Closing Date;
  - that neither the Board nor the Subsidiary Board has made any Change in Recommendation;
  - that the TSXV has granted TSXV Acceptance;
  - that the Offering has closed and the gross proceeds thereof were not less than $10,000,000;
  - that the Shareholders have passed the Consolidation Resolution;
  - that the EBN Shareholders have passed the EBN Consolidation Resolution and Amalgamation Resolution;
  - that Dissent Rights in respect of not more than 5% of the outstanding EBN Shares have been exercised;
  - that no Adverse Material Change to the Corporation has occurred since the date of the Amended and Restated Amalgamation Agreement;
  - that there is in effect no Law or Order that prevents the consummation of the Proposed Qualifying Transaction; and
  - that there is neither pending nor threatened any Proceeding seeking to prevent the consummation of the Proposed Qualifying Transaction;
- permits the Corporation to terminate the Amended and Restated Amalgamation Agreement if the Closing Date has not occurred by the Outside Time unless the failure of the Corporation or Subsidiary to comply with any of its obligations in the Amended and Restated Amalgamation Agreement resulted in the Closing Date not occurring by the Outside Time; and
- permits EBN to terminate the Amended and Restated Amalgamation Agreement if the Closing Date has not occurred by the Outside Time unless the failure of EBN to comply with any of its obligations in the Amended and Restated Amalgamation Agreement resulted in the Closing Date not occurring by the Outside Time.

**CONSOLIDATION**

The Consolidation involves a reduction in the number, but a proportionate increase in the value, of all the outstanding Shares. Pursuant to the Consolidation, the Corporation will consolidate the outstanding Shares on a 20.75-for-one basis unless the Shareholder would otherwise be entitled to a fractional Resulting Issuer Share, in which case the Resulting Issuer will, without receipt of any additional consideration, round up the number of Resulting Issuer Shares issued to the Shareholder to the next greater whole number of Resulting Issuer Shares if the fractional entitlement of the Shareholder is equal to or greater than 0.5 and, without payment of any additional consideration, round down the number of Resulting Issuer Shares issued to the Shareholder to the next lesser whole number of Resulting Issuer Shares if the fractional entitlement of the Shareholder is less than 0.5. In calculating the fractional interest of each Shareholder, the Resulting Issuer will aggregate all the Shares that were registered in the name of that Shareholder. The Corporation will also adjust the IPO Options and Options on the same basis.

Part 14 – *Fundamental Changes* of the ABCA requires any Alberta corporation, such as the Corporation, that intends to change the shares of any class or series, whether issued or unissued, into a different number of shares of the same class or series to obtain the approval of its shareholders. The Corporation called, and is convening, the Meeting to satisfy this requirement. At the Meeting, Shareholders will be asked to consider and, if deemed advisable, pass with or without variation, the Consolidation Resolution. If Shareholders pass the Consolidation Resolution, then the Consolidation Resolution will only take effect after the satisfaction of all the conditions precedent to the Amalgamation (other than the completion of the Consolidation). To be effective, the Consolidation Resolution must be passed, with or without amendment, by the affirmative vote of at least a majority of not less than two-thirds of the votes cast in person or by proxy at the Meeting. The Corporation can give no assurance that the Shareholders will pass the Consolidation Resolution. If

Shareholders do not approve the Consolidation at the Meeting, then the Proposed Qualifying Transaction cannot close.

In addition, Policy 5.8 – *Issuer Names, Issuer Name Changes, Share Consolidations and Splits* requires the Corporation to obtain TSXV acceptance of the Consolidation. The Corporation can give no assurance that the TSXV will accept the Consolidation. If the TSXV does not approve the Consolidation, then the Proposed Qualifying Transaction cannot close.

Immediately before the Consolidation, the Corporation expects there to be outstanding: (a) 8,600,000 Shares; (b) 500,000 IPO Options; and (c) 860,000 Options. Immediately after giving effect to the Consolidation, the Corporation expects there to be outstanding: (a) 414,458 Shares; (b) 24,096 IPO Options, and (c) 41,446 Options. Each Security of the Corporation that is outstanding after the Consolidation will resemble as closely as possible the terms of the Security it replaced.

**EBN CONSOLIDATION**

The EBN Consolidation involves a reduction in the number, but a proportionate increase in the value, of all the outstanding EBN Shares. Pursuant to the EBN Consolidation, EBN will consolidate the EBN Shares on a five-for-one basis unless the EBN Shareholder would otherwise be entitled to a fractional consolidated EBN Share, in which case EBN will, without receipt of any additional consideration, round up the number of consolidated EBN Shares issued to the EBN Shareholder to the next greater whole number of consolidated EBN Shares if the fractional entitlement of the EBN Shareholder is equal to or greater than 0.5 and, without payment of any additional consideration, round down the number of consolidated EBN Shares issued to the EBN Shareholder to the next lesser whole number of consolidated EBN Shares if the fractional entitlement of the EBN Shareholder is less than 0.5. In calculating the fractional interest of each EBN Shareholder, EBN will aggregate all of the EBN Shares that were registered in the name of that EBN Shareholder. EBN will also adjust the EBN Options, EBN Warrants, and EBN Convertible Debts on the same basis.

Section 54 – *Changes in authorized share structure* of the BCBCA requires any British Columbia corporation, such as EBN, that intends to change the shares of any class or series, whether issued or unissued, into a different number of shares of the same class or series to obtain the approval of its shareholders. EBN called, and is convening, the EBN Meeting to satisfy this requirement. At the EBN Meeting, EBN Shareholders will be asked to consider and, if deemed advisable, pass with or without variation, the EBN Consolidation Resolution. If EBN Shareholders pass the EBN Consolidation Resolution, then the EBN Consolidation Resolution will only take effect after the satisfaction of all the conditions precedent to the Amalgamation (other than the completion of the EBN Consolidation). To be effective, the EBN Consolidation Resolution must be passed, with or without amendment, by the affirmative vote of at least a majority of not less than two-thirds of the votes cast in person or by proxy at the EBN Meeting. EBN can give no assurance that the EBN Shareholders will pass the EBN Consolidation Resolution. If EBN Shareholders do not approve the EBN Consolidation at the EBN Meeting, then the Proposed Qualifying Transaction cannot close.

Immediately before the EBN Consolidation, EBN expects there to be outstanding: (a) 90,709,856 EBN Shares; (b) 6,975,000 EBN Options; (c) 16,151,737 EBN Warrants; (d) the EBN Convertible Loan (USD), which is convertible into an aggregate of 3,123,604 EBN Shares, at a conversion price of $0.623 per EBN Share; and (e) the EBN Convertible Loans (CAD), which are convertible into an aggregate of 1,566,376 EBN Shares, at a conversion price of $0.75 per EBN Share. Immediately after giving effect to the EBN Consolidation, EBN expects there to be outstanding: (a) 18,141,970 EBN Shares; (b) 1,395,000 EBN Options; (c) 3,230,342 EBN Warrants; (d) the EBN Convertible Loan (USD), which is convertible into and aggregate of 624,721 EBN Shares, at a conversion price of $3.113 per EBN Share; and (e) the EBN Convertible Loans (CAD), which are convertible into an aggregate of 313,277 EBN Shares, at a conversion price of $3.75 per EBN Share. Each Security of EBN that is outstanding after the EBN Consolidation will resemble as closely as possible the terms of the Security it replaced.

**AMALGAMATION**

The Amalgamation involves the amalgamation of the Subsidiary and EBN under section 269 of the BCBCA and their continuation as one corporation. Pursuant to the Amalgamation, the EBN Shareholders (other than Dissenting EBN Shareholders, if any) will exchange all of their EBN Shares for Resulting Issuer Shares, on the basis of one Resulting Issuer Share for each one EBN Share held, after which the outstanding EBN Shares will be cancelled.

Section 269 of the BCBCA requires any British Columbia corporation that intends to amalgamate to obtain the approval of its shareholders. EBN called, and is convening, the EBN Meeting to satisfy this requirement. At the EBN Meeting, EBN

Shareholders will be asked to consider and, if deemed advisable, pass with or without variation, the Amalgamation Resolution. If EBN Shareholders pass the Amalgamation Resolution, then the Amalgamation Resolution will only take effect after the satisfaction of all the conditions precedent to the Amalgamation (including the completion of the Consolidation and EBN Consolidation). To be effective, the Amalgamation Resolution must be passed, with or without amendment, by the affirmative vote of at least a majority of not less than two-thirds of the votes cast in person or by proxy at the EBN Meeting. EBN can give no assurance that the EBN Shareholders will pass the Amalgamation Resolution. If EBN Shareholders do not approve the Amalgamation at the EBN Meeting, then the Proposed Qualifying Transaction cannot close.

In addition, Policy 2.4 requires the Corporation to obtain TSXV acceptance of any Qualifying Transaction. The Corporation can give no assurance that the TSXV will accept the Proposed Qualifying Transaction. If the TSXV does not accept the Proposed Qualifying Transaction, then the Amalgamation cannot close and the Escrow Release Conditions cannot be satisfied.

The Corporation and EBN expect the Resulting Issuer to issue 18,141,970 Resulting Issuer Shares in connection with the Amalgamation. Promptly after the Amalgamation, the Resulting Issuer will cause Odyssey Trust Company, the registrar and transfer agent of the Resulting Issuer Shares, to deliver direct registration statements relating to the Resulting Issuer Shares to the former EBN Shareholders.

**OPTION, WARRANT AND NOTE EXCHANGE**

**EBN Options**

Pursuant to the Option, Warrant and Note Exchange, the EBN Optionholders will exchange all of the outstanding EBN Options for Resulting Issuer Options, on the basis of one Resulting Issuer Option for each one EBN Option held, after which the EBN Option will be cancelled.

The Corporation and EBN expect the Resulting Issuer to grant 1,395,000 Resulting Issuer Options in connection with the Option, Warrant and Note Exchange. This includes: (a) 180,000 Resulting Issuer Options, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $0.05, for a period of 60 months following the date on which the corresponding EBN Share was granted; (b) 881,000 Resulting Issuer Options, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $1.875, for a period of 60 months following the date on which the corresponding EBN Share was granted; (c) 150,000 Resulting Issuer Options, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $2.50, for a period of 60 months following the date on which the corresponding EBN Share was granted; and (d) 184,000 Resulting Issuer Options, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $3.75, for a period of 60 months following the date on which the corresponding EBN Share was granted. The other terms of each Resulting Issuer Option will resemble as closely as possible the terms of the EBN Option it replaced, having regard to the Option Plan, Laws, and TSXV policies.

Promptly after the Resulting Issuer has issued the Resulting Issuer Options to the former EBN Optionholders, the Resulting Issuer will deliver certificates representing the Resulting Issuer Options to the former EBN Optionholders.

**EBN Warrants**

Pursuant to the Option, Warrant and Note Exchange, the EBN Warrantholders will exchange all of the outstanding EBN Warrants for Resulting Issuer Warrants, on the basis of one Resulting issuer Warrant for each one EBN Warrant held, after which the EBN Warrants will be cancelled.

The Corporation and EBN expect the Resulting Issuer to issue 3,230,342 Resulting Issuer Warrants in connection with the Option, Warrant and Note Exchange. This includes: (a) 2,258,715 Resulting Issuer Warrants, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $1.875, for a period ranging from 24 months to 36 months following the date on which the corresponding EBN Warrant was issued; (b) 40,000 Resulting Issuer Warrants, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $2.50, for a period ranging from 12 months to 24 months following the date on which the corresponding EBN Warrant was issued; and (c) 931,627 Resulting Issuer Warrants, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $3.75, for a period ranging from 12 months to 24 months following the date on which the corresponding EBN Warrant

was issued. The other terms of each Resulting Issuer Warrant will resemble as closely as possible the terms of the EBN Warrant it replaced, having regard to any warrant plans of the Resulting Issuer, Laws, and TSXV policies.

Promptly after the Resulting Issuer has issued the Resulting Issuer Warrants, the Resulting Issuer will deliver certificates representing the Resulting Issuer Warrants to the former EBN Warrantholders.

**EBN Convertible Debts**

Pursuant to the Option, Warrant and Note Exchange, the EBN Convertible Debtholders will exchange (a) the EBN Convertible Loan (USD) for the Resulting Issuer Convertible Loan (USD), which will be convertible into 624,721 Resulting Issuer Shares, at a conversion price of $3.113 per Resulting Issuer Share; and (b) the EBN Convertible Loans (CAD) for Resulting Issuer Convertible Loans (CAD), each of which will convertible into 313,277 Resulting Issuer Shares, at a conversion price of $3.75 per Resulting Issuer Share. The other terms of the Resulting Issuer Convertible Debts will resemble as closely as possible the terms of the EBN Convertible Debt it replaced, having regard to any note plans of the Resulting Issuer, Laws, and TSXV policies.

Promptly after the Resulting Issuer has issued the Resulting Issuer Convertible Debts, the Resulting Issuer will deliver certificates representing the Resulting Issuer Convertible Debts to the former EBN Convertible Debtholders.

**MUTUAL OBLIGATIONS REGARDING NON-SOLICITATION**

The Amended and Restated Amalgamation Agreement contains non-solicitation covenants to protect the Proposed Qualifying Transaction from competing bids and help ensure that the Proposed Qualifying Transaction close in accordance with their terms. In particular, the non-solicitation covenants:

(a) require each of the Parties to: (i) terminate any solicitation or negotiations with any other Person or Company with respect to any inquiry, offer, or proposal that would reasonably be expected to constitute an Acquisition Proposal; (ii) provide prompt written notice to the other Parties of any unsolicited Acquisition Proposal it receives; and (iii) keep the other Parties informed of the status of any material developments relating to the unsolicited Acquisition Proposal; and

(b) prohibit each of the Parties from: (i) soliciting any Acquisition Proposal; (ii) providing information to any other Person or Company in connection with an Acquisition Proposal; (iii) participating in any discussions or negotiations regarding any Acquisition Proposal; (iv) accepting, recommending, or entering into any agreement to implement a third-party Acquisition Proposal; or (v) making a Change in Recommendation.

If a Party receives an unsolicited Acquisition Proposal, the Party may enter into a confidentiality agreement with the third party on the condition that it provides a copy of the confidentiality agreement to the other Parties. If the Party that received the unsolicited Acquisition Proposal is otherwise in compliance with its non-solicitation covenants in the Amended and Restated Amalgamation Agreement, and its board of directors makes a good faith determination (after consultation with its Representatives) that the unsolicited Acquisition Proposal constitutes or would reasonably be expected to constitute or lead to a Superior Proposal, then that Party must notify the other Parties of its determination and of its intention to recommend, approve, or enter into a definitive agreement with respect to the Superior Proposal. The other Parties have five Business Days following the receipt of the notice to match the Superior Proposal.

If, in connection with any Acquisition Proposal, including a Superior Proposal, any Party makes a Change in Recommendation in respect of the Proposed Qualifying Transaction, then the Party must pay a break fee. If the Corporation is the Party making the Change in Recommendation, then the Corporation must pay the Corporation Termination Fee to EBN, and if EBN is the Party making the Change in Recommendation, then EBN must pay the EBN Termination Fee to the Corporation.

## INFORMATION ABOUT THE OFFERING

### DESCRIPTION OF SECURITIES BEING DISTRIBUTED

#### Subscription Receipts

The Subscription Receipts will be issued on the Offering Closing Date pursuant to the terms of the Subscription Receipt Agreement. The following is a summary of certain anticipated attributes of the Subscription Receipts and provisions of the Subscription Receipt Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Subscription Receipt Agreement, which will be filed by the Corporation with Securities Regulatory Authorities and available under the Corporation's profile on SEDAR at www.sedar.com following closing of the Offering.
The Subscription Receipt Agent will hold in escrow the Escrowed Funds, pending the satisfaction of the Escrow Release Conditions. Upon the satisfaction of the Escrow Release Conditions, the Subscription Receipt Agent will release the Escrowed Funds and the interest accrued on the Escrowed Funds, less the balance of the Agents' remuneration and any additional expenses of the Agents to the Corporation, and the Corporation will automatically exchange each Subscription Receipt for one Unit.

If one of the following Termination Events occurs, then the Subscription Receipt Agent will return to each holder of Subscription Receipts an amount equal to the purchase price paid for the Subscriptions Receipts and the *pro rata* entitlement of the holder to interest earned on such amount (less applicable withholding tax, if any), and EBN will pay any shortfall relating to such amount: (a) the Escrow Release Conditions are not satisfied within 90 days after the issuance of the final receipt for this prospectus (or any amendment to this prospectus, as applicable), or (b) the Corporation or EBN delivers a notice to the Agents and the Subscription Receipt Agent declaring that the Amended and Restated Amalgamation Agreement has been terminated or that it will not be proceeding with the Proposed Qualifying Transaction. The Corporation will satisfy its obligation to make the payment of the amounts specified above by mailing payment by cheque payable to the Receiptholders at the registered address of each Receiptholder or by making a wire transfer for the account of such holders through CDS. Upon the mailing or delivery of a cheque or the making of any wire transfer as provided above (and provided such cheque has been honoured for payment, if presented for payment within six months of the date of this prospectus, as the case may be) all rights evidenced by the Subscription Receipts relating will have been be satisfied and the Subscription Receipts will be void and of no value or effect.

Holders of Subscription Receipts are not Shareholders and Subscription Receipts do not carry any voting rights whatsoever in the Corporation. Holders of Subscription Receipts are entitled only to receive the underlying Resulting Issuer Shares and Resulting Issuer Warrants upon the deemed exercise of their Subscription Receipts to the Subscription Receipt Agent or to a return of the Subscription Price for the Subscription Receipts together with any payments in respect of interest.

Under the Subscription Receipt Agreement, original Receiptholders will have a non-assignable contractual right of rescission, exercisable against the Corporation, following the issuance of the Units upon the exchange of the Subscription Receipts, to receive the Offering Price paid for each such Subscription Receipt if this prospectus or any amendment to this prospectus contains a Misrepresentation on the condition that such remedy for rescission is exercised within 180 days of the Offering Closing Date, following which the contractual right of rescission will be null and void. The contractual right of rescission shall be subject to the defences, limitations, and other provisions described under ASA, and is in addition to any other right or remedy available to original Receiptholders under the ASA or otherwise at Law. For greater certainty, this contractual right of rescission under the Subscription Receipt Agreement is only in connection with a Misrepresentation and is not a right to withdraw from an agreement to purchase securities within two business days as provided in securities legislation in certain provinces and territories of Canada.

The Subscription Receipt Agreement provides for amendments to the Subscription Receipts by way of an extraordinary resolution. The term "extraordinary resolution" is defined in the Subscription Receipt Agreement to mean, in effect, a resolution proposed at a meeting of holders of Receiptholders duly convened for that purpose and held in accordance with the Subscription Receipt Agreement at which there are present in person or by proxy holders of Subscription Receipts holding not less than 25% of the then outstanding Subscription Receipts and passed by the affirmative votes of Receiptholder holding not less than 66⅔% of the Subscription Receipts represented at the meeting and voted on the poll upon such resolution. An "extraordinary resolution" may also be passed by an instrument in writing signed in one or more

counterparts by Receiptholders holding not less than 66⅔% of the then outstanding Subscription Receipts.

The Corporation has designated the Subscription Receipt Agent at its offices at Stock Exchange Tower, 350 – 300 5th Avenue S.W., Calgary, AB T2P 3C4 as agent for the Subscription Receipts, where the Subscription Receipts may be surrendered for exercise, exchange, or replacement.

Neither the Subscription Receipts nor the Resulting Issuer Shares and Resulting Issuer Warrants have been and or will be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold in the United States except pursuant to exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Agents have agreed that they will not offer or sell the Subscription Receipts in the United States or to, or for the account or benefit of, U.S. Persons except pursuant to available exemptions from registration under the U.S. Securities Act.

**Units**

Each Subscription Receipt entitles the Receiptholder to receive, without payment of additional consideration and without any further action, one Unit upon the satisfaction of the Escrow Release Conditions. Each Unit consists of one Resulting Issuer Share and one Resulting Issuer Warrant.

**Resulting Issuer Shares**

Each Resulting Issuer Share will entitle the holder to: (a) one vote at all meetings of Resulting Issuer Shareholders (and written actions in lieu of meetings); (b) subject to the rights, privileges, restrictions, and conditions attaching to any other class or series of shares of the Resulting Issuer, receive dividends if, as, and when declared by the Resulting Issuer Board; and (c) subject to the rights, privileges, restrictions, and conditions attaching to any other class or series of shares of the Resulting Issuer, receive its proportionate share of the remaining property of the Resulting Issuer upon a liquidation, dissolution, or wind-up of the Resulting Issuer, whether voluntary or involuntary.

**Resulting Issuer Warrants**

The Resulting Issuer Warrants will be governed by the terms of the Warrant Indenture to be entered into on the Offering Closing Date between the Resulting Issuer and the Warrant Agent. The following is a summary of certain anticipated attributes of the Resulting Issuer Warrants and provisions of the Warrant Indenture. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Warrant Indenture, which will be filed by the Resulting Issuer with Securities Regulatory Authorities and available under the Resulting Issuer's profile on SEDAR at www.sedar.com following the closing of the Offering.

Each Resulting Issuer Warrant issued pursuant to the Offering entitles the holder to purchase one Resulting Issuer Share, at a purchase of price of $7.50 per Resulting Issuer Share, for a period of 24 months following the date on which the Resulting Issuer Warrant was issued.

Each Resulting Issuer Warrant issued pursuant to the Offering entitles the holder to purchase one Resulting Issuer Share, at a purchase of price of $7.50 per Resulting Issuer Share, for a period of 24 months following the date on which the Resulting Issuer Warrant was issued.

The Corporation has designated the Subscription Receipt Agent at its offices at Stock Exchange Tower, 350 – 300 5th Avenue S.W., Calgary, AB T2P 3C4 as agent for the Resulting Issuer Warrants where the Subscription Receipts may be surrendered for exercise, exchange, or replacement.

The Warrant Indenture will provide for adjustment in the number of Resulting Issuer Shares issuable upon the exercise of the Resulting Issuer Warrants and the exercise price per Resulting Issuer Share upon the occurrence of certain events, including: (a) the issuance of Resulting Issuer Shares or securities exchangeable for or convertible into Resulting Issuer Shares to all or substantially all of the Resulting Issuer Shareholders by way of a stock dividend or other distribution (other than a dividend in the ordinary course or a distribution of Resulting Issuer Shares upon the exercise of any Resulting Issuer Warrants or options outstanding as of the date of the Warrant Indenture); (b) the subdivision, redivision, or change of the

Resulting Issuer Shares into a greater number of Resulting Issuer Shares; (c) the consolidation, reduction, or combination of the Resulting Issuer Shares into a lesser number of Resulting Issuer Shares; (d) the issuance to all or substantially all of the Resulting Issuer Shareholders of rights, options, or warrants under which such Resulting Issuer Shareholders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Resulting Issuer Shares, or securities exchangeable for or convertible into Resulting Issuer Shares, at a price per Resulting Issuer Share to the holder (or at an exchange or conversion price per Resulting Issuer Share) of less than 95% of the "Current Market Price". "Current Market Price" will be defined in the Warrant Indenture as the volume weighted average trading price per Resulting Issuer Share on the TSXV or any stock exchange upon which the Resulting Issuer Shares are listed, or if not listed, on any stock exchange, on any over-the-counter-market on which the Resulting Issuer Shares are trading, for the 20 consecutive trading days ending immediately prior to such record date; provided that if the Resulting Issuer Shares are not then listed on the TSXV or traded in the over-the-counter market, then the Current Market Price shall be determined by such firm of independent chartered professional accountants as may be selected by the Resulting Issuer Directors, acting reasonably); and (d) the issuance or distribution to all or substantially all of the Resulting Issuer Shareholders of shares of the Resulting Issuer of any class other than Resulting Issuer Shares, securities of any rights, options or warrants to subscribe for or purchase Resulting Issuer Shares or securities exchangeable or convertible into any Resulting Issuer Shares (other than a "rights offering" pursuant to (d)), evidences of indebtedness or any cash, securities or any property or other assets.

The Warrant Indenture will also provide for adjustment in the class and number of securities issuable upon the exercise of the Resulting Issuer Warrants and exercise price per security in the event of the following additional events: (i) reclassifications of the Resulting Issuer Shares or a capital reorganization of the Resulting Issuer (other than as described above); (ii) consolidations, amalgamations, arrangements or mergers of the Resulting Issuer with or into any other Resulting Issuer or other entity (other than consolidations, amalgamations, arrangements, or mergers which do not result in any reclassification of the outstanding Resulting Issuer Shares or a change or exchange of the Resulting Issuer Shares into or for other shares, securities or property); or (iii) the transfer of the undertaking or assets of the Resulting Issuer as an entirety or substantially as an entirety to another Resulting Issuer or other entity.

No adjustment in the exercise price of the Resulting Issuer Warrants issued under the Offering or the number of Resulting Issuer Shares issuable upon the exercise of those Resulting Issuer Warrants will be required to be made unless: (a) such adjustment would result in a change of at least 0.01 of a Resulting Issuer Share based on the number of Resulting Issuer Shares or other classes of shares or securities or property which a holder of a Resulting Issuer Warrant is entitled to receive upon the exercise of the rights attached to the Resulting Issuer Warrant; or (b) the cumulative effect of such adjustment or adjustments would result in a change of at least 1% in the Exercise Price, provided that any such adjustments that are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

The Resulting Issuer will covenant in the Warrant Indenture that, during the period in which the Resulting Issuer Warrants are exercisable, it will give notice to the Warrant Agent and to the holders of the Resulting Issuer Warrants of certain stated events, including events that would result in an adjustment to the Exercise Price for the Resulting Issuer Warrants or the number of Resulting Issuer Shares issuable upon exercise of the Resulting Issuer Warrants, at least 14 days prior to the record date or effective date of such event.

No fractional Resulting Issuer Shares will be issuable upon the exercise of any Resulting Issuer Warrants and no cash or other consideration will be paid in lieu of fractional Resulting Issuer Shares. Holders of Resulting Issuer Warrants will not have any voting or any other rights which a Resulting Issuer Shareholder would have.

The Warrant Indenture will provide that, from time to time, the Resulting Issuer and the Warrant Agent may amend or supplement the Warrant Indenture for certain purposes, without the consent of the holders of the Resulting Issuer Warrants, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder. Any amendment or supplement to the Warrant Indenture that would adversely affect the interests of the holders of Resulting Issuer Warrants may only be made by "extraordinary resolution", which will be defined in the Warrant Indenture as a resolution either: (a) passed at a meeting of the holders of Resulting Issuer Warrants at which there are holders of Resulting Issuer Warrants present in person or represented by proxy representing at least 20% of the aggregate number of the then outstanding Resulting Issuer Warrants (unless such meeting is adjourned to a prescribed later date due to the lack of quorum) and passed by the affirmative vote of not less than two-thirds of the aggregate number of all the then outstanding Resulting Issuer Warrants represented at the meeting; or (b) adopted by an instrument in writing signed by the

holders of Resulting Issuer Warrants representing not less than two-thirds of the aggregate number of all the then outstanding Resulting Issuer Warrants.

The Resulting Issuer Warrants have not been and will not be registered under the U.S. Securities Act or any applicable state securities laws, and the Resulting Issuer Warrants will not be exercisable by or on behalf of a person in the United States or a U.S. Person, nor will certificates representing the Resulting Issuer Shares issuable on exercise of the Resulting Issuer Warrants be registered or delivered to an address in the United States, unless an exemption from registration under the U.S. Securities Act and any applicable state securities laws is available and the Corporation has received an opinion of counsel of recognized standing or other evidence to such effect in form and substance reasonably satisfactory to the Corporation.

**Agents' Options**

Pursuant to the terms of the Agency Agreement, the Agents will receive the Agents' Commission, which is an amount equal to 8% of the gross proceeds of the Offering, including the Over-Allotment Option. As additional compensation, upon satisfaction of the Escrow Release Conditions, the Corporation will grant to the Agents irrevocable and non-transferable Agent's Options entitling the Agents to purchase that number of Resulting Issuer Shares equal to 8% of the aggregate number of Subscription Receipts sold pursuant to the Offering, including the Over-Allotment Option at a price of $4.15 per Resulting Issuer Share, for a period of 12 months following the satisfaction of the Escrow Release Conditions.

**PLAN OF DISTRIBUTION**

**Offering**

This prospectus qualifies the distribution, in all of the provinces of Canada, except Québec, of: (a) 3,614,458 Subscription Receipts after giving effect to the Offering (or 4,156,626 Subscription Receipts after giving effect to the Offering and Over-Allotment Option); (b) 3,614,458 Units consisting of 3,614,458 Resulting Issuer Shares and 3,614,458 Resulting Issuer Warrants after giving effect to the Offering (or 4,156,626 Units consisting of 4,156,626 Resulting Issuer Shares and 4,156,626 Resulting Issuer Warrants after giving effect to the Offering and Over-Allotment Option); and (c) 289,157 Agents' Options after giving effect to the Offering (or 332,531 Agents' Options after giving effect to the Offering and Over-Allotment Option).

The Corporation has appointed the Agents to hold in trust all proceeds received from the sale of Subscription Receipts until it has reached the Minimum Offering, which is equal to the full Offering amount. If the Corporation fails to reach the Offering within 90 days after the date of the receipt of the Alberta Securities Commission for this prospectus, the Agents will return the proceeds from the sale of Subscription Receipts, without any deductions, to subscribers.

**Agency Agreement**

Pursuant to the terms and conditions of the Agency Agreement, the Corporation has engaged the Agents as its agents to offer for sale to the public, on a "commercially-reasonable efforts" basis, 3,614,458 Subscription Receipts, at a price of $4.15 per Subscription Receipt, for aggregate gross proceeds of $15,000,000, subject to satisfaction of the conditions contained in the Agency Agreement. The offering price of the Subscription Receipts and certain other terms of the Offering have been determined by negotiation between the Corporation and the Co-Lead Agents in the context of the market. The obligations of the Agents under the Agency Agreement are several (and not joint or joint and several), are subject to certain closing conditions and may be terminated at their discretion on the basis of "material change out", "disaster out", "regulatory out", "market out", "due diligence out" and "breach out" provisions in the Agency Agreement and may also be terminated upon the occurrence of certain other stated events. The Agents are not obligated to purchase any Subscription Receipts under the Agency Agreement.

The Corporation has granted the Agents an Over-Allotment Option, exercisable at any time, which permits them to offer, in whole or in part, up to an additional 542,168 Subscription Receipts, at a price of $4.15 per Subscription Receipt, solely to cover over-allotments, if any, by giving written notice of the exercise of the Over-Allotment Option, or any part of the Over-Allotment Option, to the Corporation at any time up to 30 days from the Offering Closing Date. If the Over-Allotment Option is exercised in full, the gross proceeds from the exercise of the Over-Allotment Option will be $2,250,000, the

commission payable to the Agents in respect of Subscription Receipts sold pursuant to the Over-Allotment Option will be $180,000, and the net proceeds to the Corporation of the Offering, including the Over-Allotment Option, before deducting the estimated expenses of the Offering, will be $15,870,000. A Purchaser that acquires Subscription Receipts forming part of the Agents' over-allocation position acquires those Subscription Receipts under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

This prospectus qualifies the distribution of: (a) the Subscription Receipts (including Subscription Receipts issuable pursuant to the Over-Allotment Option); (b) the Units (including Units issuable pursuant to the Over-Allotment Option); (c) the Resulting Issuer Shares and the Resulting Issuer Warrants comprising the Units (including Resulting Issuer Shares and Resulting Issuer Warrants issuable pursuant to the Over-Allotment Option); (d) the Over-Allotment Option; and (e) the Agents' Options.

The Agents are entitled to receive the Agents' Commission, which consists of a cash commission of 8% of the gross proceeds of the Offering, including the Over-Allotment Option. 50% of such Agent's Commission will be payable upon the Offering Closing Date, and the remaining 50% of the Agent's Commission will be paid upon the satisfaction or waiver of the Escrow Release Conditions. If the Escrow Release Conditions are not satisfied or waived before the occurrence of a Termination Event, the Agents will not be entitled to receive the remaining 50% of such Agents' Commission. As additional compensation, upon satisfaction of the Escrow Release Conditions, the Corporation will grant to the Agents the Agent's Options, which consists of irrevocable and non-transferable options to acquire that number of Resulting Issuer Shares equal to 8% of the Subscription Receipts sold pursuant to the Offering, including the Over-Allotment Option. The Agents' Options will be exercisable at a price of $4.15 per Resulting Issuer Share, for a period of 12 months following the satisfaction of the Escrow Release Conditions.

Pursuant to the terms of the Agency Agreement, the Corporation will agree to reimburse the Agents for certain expenses incurred in connection with the Offering and to indemnify the Agents and their directors, officers, employees, and agents against, certain liabilities and expenses and to contribute to payments the Agents may be required to make in respect thereof, whether or not the Offering is completed.

Pursuant to the Agency Agreement, the Corporation will agree not to issue, sell, or otherwise transfer any Common Shares or securities convertible into Common Shares for 90 days from the date of closing of the Offering without prior written consent of the Co-Lead Agents, on behalf of the Agents, except in conjunction with: (i) the Offering; (ii) the Proposed Qualifying Transaction; (iii) the grant of Resulting Issuer Options and other similar issuances pursuant to the Option Plan and other existing share compensation arrangements; or (iv) the exercise of outstanding Resulting Issuer Options or Resulting Issuer Warrants; or (v) the conversion of Resulting Convertible Loans (CAD) or Resulting Issuer Convertible Loan (USD).

Pursuant to policy statements of certain securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Common Shares. The foregoing restriction is subject to certain exceptions including (i) a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities, (ii) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of the distribution, provided that the bid or purchase was for the purpose of maintaining a fair and orderly market and not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, such securities, or (iii) a bid or purchase to cover a short position entered into prior to the commencement of a prescribed restricted period.

**The Offering is not underwritten or guaranteed by any person.** Subscriptions will be received subject to rejection or allotment in whole or in part and the Agents reserve the right to close the subscription books at any time without notice. The Offering Closing Date is expected to occur on or about June 11, 2021, or such later date as the Corporation and the Agents may agree but in no event later than the date that is 90 days after the date of the receipt for the final prospectus to be filed in connection with the Offering or such other time as may be permitted by applicable securities legislation and consented to by persons or companies who subscribed within that period and the Agents. Pending closing of the Offering, all subscription funds will be deposited and held by the Agents in trust under the terms and conditions of the Agency Agreement. If the Offering Closing Date does not occur within 90 days from the date a receipt is issued for the final prospectus or such other time as may be permitted by applicable securities legislation and consented to by persons or

companies who subscribed within that period and the Agents, the Offering will be discontinued and all subscription monies will be returned to subscribers without interest, set-off or deduction.

It is anticipated that the Subscription Receipts will be delivered under the book-based system through CDS or its nominee and deposited in electronic form. A Purchaser of Subscription Receipts, including a Purchaser of Subscription Receipts in the United States or purchasing for the account or benefit of, a U.S. Person that is a Qualified Institutional Buyer, will receive only a customer confirmation from the registered dealer from or through which the Subscription Receipts are purchased and who is a CDS depository service participant. CDS will record the CDS participants who hold Subscription Receipts on behalf of owners who have purchased Subscription Receipts in accordance with the book-based system. No certificates will be issued unless specifically requested or required. Notwithstanding the foregoing, a Purchaser of Subscription Receipts in the United States or purchasing for the account or benefit of, U.S. Person that is Accredited Investor will receive definitive physical certificates representing the Subscription Receipts, and upon satisfaction or waiver of the Escrow Release Conditions, Resulting Issuer Shares and Resulting Issuer Warrants.

The Offering is being made in each of the provinces of Canada other than Quebec. The Subscription Receipts will be offered in each of the provinces of Canada other than Quebec through those Agents or their affiliates who are registered to offer the Subscription Receipts for sale in such provinces and such other registered dealers as may be designated by the Agents.

The Subscription Receipts offered hereby have not been and will not be registered under the U.S. Securities Act or any state securities laws, and accordingly the Subscription Receipts may not be offered or sold in the United States or for the account or benefit of, persons within the United States, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Agents have agreed that, except as permitted by the Agency Agreement and as expressly permitted by applicable U.S. federal and state securities laws, they will not offer or sell any of the Subscription Receipts to, or for the account or benefit of, persons within the United States. The Agents will offer and sell the Subscription Receipts outside the United States only in accordance with Regulation S under the U.S. Securities Act.

The Corporation, through a United States registered broker-dealer, may offer and sell the Subscription Receipts pursuant to the Agency Agreement in the United States or to, or for the account or benefit of, U.S. Persons to Accredited Investors and Qualified Institutional Buyers in compliance with Rule 506(b) of Regulation D under the U.S. Securities Act and applicable U.S. state securities laws. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Subscription Receipts offered under the Offering in the United States.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Subscription Receipts in the United States or to, or for the account or benefit of, U.S. Persons by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made other than in accordance with an exemption from such registration requirements.

The Resulting Issuer Warrants may not be exercised in the United States, or by or for the account of a person in the United States except pursuant to exemptions from the registration requirements of the U.S. Securities Act and any applicable state securities laws, and the holder has delivered to the Corporation a written opinion of counsel, in form and substance satisfactory to the Corporation; provided, however, that a Qualified Institutional Buyer or Accredited Investor that acquired the Resulting Issuer Warrants pursuant to the Rule 506(b) of Regulation D under the U.S. Securities Act for its own account, or for the account of another Qualified Institutional Buyer for which it exercised sole investment discretion with respect to such original purchase (an "**Original Beneficial Purchaser**"), will not be required to deliver an opinion of counsel if it exercises the Resulting Issuer Warrants for its own account or for the account of the Original Beneficial Purchaser, if any, if each of it and such Original Beneficial Purchaser, if any, was a Qualified Institutional Buyer at the time of its purchase and exercise of the Resulting Issuer Warrants.

The Subscription Receipts, Resulting Issuer Warrants and Resulting Issuer Shares issued to, or for the account or benefit of, persons in the United States, will be "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act. Certificates issued representing such securities (if any) may bear a legend to the effect that the securities represented thereby are not registered under the U.S. Securities Act or any applicable U.S. state securities laws and may only be offered, sold, pledged or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and any applicable U.S. state securities laws.

There is currently no market through which the Subscription Receipts may be sold and Purchasers may not be able to resell the Subscription Receipts distributed under this prospectus. The TSXV has granted conditional approval to list on the TSXV the Resulting Issuer Shares distributed under this prospectus. Listing will be subject to the Corporation fulfilling all the listing requirements of the TSXV.

## USE OF PROCEEDS

### Proceeds

The aggregate net proceeds to be received by the Resulting Issuer from the sale of the Subscription Receipts under the Minimum Offering are estimated to be approximately $13,200,000 if the Offering is completed, and $15,870,000 if the Offering is completed and the Over-Allotment Option is exercised, after deducting the Agents' Commission, but before deducting the other expenses of the Offering, estimated to be $750,000.

| Use of Proceeds | Assuming Offering | Assuming Offering and Over-Allotment Option |
|---|---|---|
| Repayment of EBN Secured Debentures(1)(2) | $3,425,040 | $3,425,040 |
| Repayment of EBN Secured Note(3) | $320,254 | $320,254 |
| Repayment of Cinatic Shareholder Loans(4) | $249,000 | $249,000 |
| Repayment of EBN Credit Facility(5) | $650,000 | $650,000 |
| Repayment of short-term debt | $2,680,746 | $3,180,746 |
| Working capital and general corporate purposes | $2,774,960 | $4,134,000 |
| Inventory | $2,546,000 | $2,546,000 |
| Product management, development and testing, and support and certification | $170,000 | $170,000 |
| Payment of expenses of the Offering | $750,000 | $750,000 |
| Execution of new brand licenses | $134,000 | $344,960 |
| Unallocated funds | $100,000 | $100,000 |
| **Total** | **$13,800,000** | **$15,870,000** |

Notes:

(1) Each EBN Secured Debenture bears interest at the rate of 12% per annum and matures 24 months after the date on which the EBN Secured Debenture was issued (i.e., on November 20, 2021). Principally, the proceeds of the EBN Secured Debentures were used to purchase Kodak Smart Home and Moto360 components and inventory. The Resulting Issuer will repay all of the unpaid principal and accrued and unpaid interest under the EBN Secured Debentures promptly after the Closing Date.

(2) Vesta Global Stability Fund LP owns $1,011,178 aggregate principal amount of the EBN Secured Debentures. Jared Wolk, a proposed Resulting Issuer Director, is a director and officer of the general partner of Vesta Global Stability Fund LP.

(3) The EBN Secured Note bears interest at the rate of 12% per annum and mature ten months after the date on which the EBN Secured Note was issued. The proceeds of the EBN Secured Note were used to pay legal fees, disbursements, and taxes. The Resulting Issuer will repay all of the unpaid principal and accrued and unpaid interest under the EBN Secured Note promptly after the Closing Date.

(4) The Cinatic Shareholder Loans are loans from three former shareholders of Cinatic to EBN in the aggregate

principal amount of $249,000, which are non-interest bearing and mature upon the issuance of the Final TSXV Bulletin. Promptly after the Closing Date, the Resulting Issuer will use a portion of the proceeds of the Offering to repay all of the unpaid principal and accrued and unpaid interest under the Cinatic Shareholder Loans.

(5) For information about the terms of the EBN Credit Facility, see *"Information about the Offering – Use of Proceeds – Other Sources of Funding"*. The proceeds of the EBN Credit Facility were used for working capital purposes. The Resulting Issuer will repay all of the unpaid principal and accrued and unpaid interest under the EBN Credit Facility promptly after the Closing Date.

The aggregate net proceeds to be received by the Resulting Issuer from the Offering are estimated to be approximately $13,800,000, after deducting the Agents Commission, but before deducting the other expenses of the Offering, estimated to be $750,000. The Resulting Issuer intends to use the net proceeds from the Offering to strengthen its financial position and pursue growth strategies, which include expanding the Resulting Issuer's customer base; accelerating the rollout of new product lines; supporting the growth of existing customers; establishing the Resulting Issuer's products on new sales channels; and selectively pursuing acquisitions. As a result of EBN's significant growth in recent periods and the fact that the EBN operates in a dynamic and rapidly-evolving market, the Resulting Issuer believes it can deploy its use of proceeds as described above.

**Principal Purposes – General**

The Resulting Issuer has a goal of releasing new product lines over the next fiscal year as well as expanding the product ecosystems around the Moto360 Smartwatch and Kodak Smart Home and is seeking a third brand partnership. As such, tradeshows, marketing and sales ramp will be a key focus of the Resulting Issuer's fiscal years ending 2021 and 2022. Along with these product launches, the Resulting Issuer expects to see an increased need for proprietary key tooling for brand license agreements, and will need to purchase specialized testing equipment for in-house testing and factory quality assurance. The Resulting Issuer has also identified the need to hold a cash position for general purposes, allowing the Resulting Issuer to allocate the funds necessary to facilitate the sale of the Resulting Issuer's products directly through e-commerce channels such as Amazon Global, Best Buy Canada, Kodak Smart Home and Flipkart. EBN's experience indicates that banking institutions will not provide financial support for intra-company sales, and as a result the Resulting Issuer will require cash to grow its stock position in response to increasing online sales.

**Principal Purposes – Indebtedness**

The following table discloses details regarding the significant debt obligations of EBN maturing in the short term and the portion of the proceeds from the Offering that the Resulting Issuer intends to use to satisfy such debt obligations:

| Debt Obligation | Principal Amount (C$) | Interest Rate | Maturity Date | Proceeds from Offering (assuming completion of the Proposed Qualifying Transaction and Offering) | Proceeds from Offering (assuming completion of the Proposed Qualifying Transaction and Offering after giving effect to the Over-Allotment Option) |
|---|---|---|---|---|---|
| Unsecured Business Development Canada loan | $133,120.00 | 7.50% | October 28, 2023 | $0.00 | $0.00 |

| Debt Obligation | Principal Amount (C$) | Interest Rate | Maturity Date | Proceeds from Offering (assuming completion of the Proposed Qualifying Transaction and Offering) | Proceeds from Offering (assuming completion of the Proposed Qualifying Transaction and Offering after giving effect to the Over-Allotment Option) |
|---|---|---|---|---|---|
| Unsecured major supplier loan | $337,500.00 | 0.00% | Receipt of Final TSXV Bulletin | $337,500.00 | $337,500.00 |
| Unsecured loan from former shareholders of Cinatic | $249,000.00 | 0.00% | Receipt of Final TSXV Bulletin | $249,000.00 | $249,000.00 |
| EBN Secured Debentures[(1)] | $3,063,114.00 | 12.00% | 08-Nov-21 | $3,425,040.00 | $3,425,040.00 |
| EBN Convertible Loan (USD)[(2)] | $1,944,443.25 | 12.00% | 22-Jun-21 | $0.00 | $0.00 |
| EBN Convertible Loan (CAD)[(3)] | $187,500.00 | 4.50% | 31-Aug-22 | $0.00 | $168,269.31 |
| EBN Secured Note[(4)] | $320,254.02 | 12.00% | Receipt of Final TSXV Bulletin | $320,254.02 | $320,254.02 |
| Unsecured promissory note from the Corporation to EBN | $25,000.00 | 0.00% | Demand | $0.00 | $0.00 |
| CMC advances[(5)] | $1,046,205.00 | 11.75% | 13-Oct-21 | $1,046,205.00 | $1,046,205.00 |
| EBN Credit Facility[(6)] | $650,000.00 | - | Receipt of Final TSXV Bulletin | $650,000.00 | $650,000.00 |
| C6 Agreement[(7)] | $650,000.00 | - | 28-Oct-21 | $0.00 | $0.00 |
| EBN Convertible Loan (CAD)[(3)] | $663,284.24 | 4.50% | 20-Oct-22 | $663,284.24 | $663,284.24 |
| EBN Convertible Loan (CAD)[(3)] | $24,000.50 | 4.50% | 23-Nov-22 | $24,000.50 | $240,000.50 |
| EBN Convertible Loan (CAD)[(3)] | $300,000.25 | 4.50% | 23-Nov-22 | $300,000.25 | $300,000.25 |
| EBN Convertible Loan (CAD)[(3)] | $425,486.68 | 4.50% | 08-Mar-22 | $309,755.99 | $425,486.68 |
| | **$10,018,907.94** | | | **$7,325,040.00** | **$7,825,040.00** |

Notes:

(1) Each EBN Secured Debenture bears interest at the rate of 12% per annum and matures 24 months after the date on which the EBN Secured Debenture was issued (i.e., on November 20, 2021). Principally, the proceeds of the EBN Secured Debentures were used to purchase Kodak Smart Home and Moto360 components and inventory. The Resulting Issuer will repay all of the unpaid principal and accrued and unpaid interest under the EBN Secured Debentures promptly after the Closing Date.

(2) The EBN Convertible Loan (USD) bears interest at the rate of 12% per annum, is convertible into EBN Shares at a conversion price of $0.75 per EBN Share, and is payable within 30 days of demand. EBN will adjust the terms of the outstanding EBN Convertible Loan (USD) to reflect the EBN Consolidation. See *"Information about the Proposed Qualifying Transaction – EBN Consolidation"*. Pursuant to the *Option, Warrant and Note* Exchange, the EBN Convertible Debtholders will exchange the EBN Convertible Loan (USD) for the Resulting Issuer Convertible Loan (USD). See *"Information about the Proposed Qualifying Transaction – Option, Warrant and Note Exchange"*.

(3) Each EBN Convertible Loan (CAD) bears interest at the rate of between 4.5% per annum, is convertible into EBN Shares at a conversion price of $0.75 per EBN Share, and matures 24 months following the date on which it was issued (i.e., between August 31, 2022, and December 30, 2022). EBN will adjust the terms of the outstanding EBN Convertible Loans (CAD) to reflect the EBN Consolidation. See *"Information about the Proposed Qualifying Transaction – EBN Consolidation"*. Pursuant to the Option, Warrant and Note Exchange, the EBN Convertible Debtholders will exchange the EBN Convertible Loans (CAD) for Resulting Issuer Convertible Loans (CAD). See *"Information about the Proposed Qualifying Transaction – Option, Warrant and Note Exchange"*.

(4) The EBN Secured Note bears interest at the rate of 12% per annum and mature ten months after the date on which the EBN Secured Note was issued. The proceeds of the EBN Secured Note were used to pay legal fees, disbursements, and taxes. The Resulting Issuer will repay all of the unpaid principal and accrued and unpaid interest under the EBN Secured Note promptly after the Closing Date.

(5) For information about the terms of the SMC advances, see *"Information about the Offering – Use of Proceeds – Other Sources of Funding"*.

(6) For information about the terms of the EBN Credit Facility, see *"Information about the Offering – Use of Proceeds – Other Sources of Funding"*. The proceeds of the EBN Credit Facility were used for working capital purposes. The Resulting Issuer will repay all of the unpaid principal and accrued and unpaid interest under the EBN Credit Facility promptly after the Closing Date.

(7) The C6 Agreement refers to the Agreement for the Purchase and Sale of Future Receipts dated March 1, 2021, between eBuyNow and C6 Capital Funding, LLC, under which eBuyNow is required to remit future accounts receivable to C6 Capital Funding, LLC. The proceeds from the sale of the accounts receivable under the C6 Agreement were used for working capital purposes.

Although the Resulting Issuer intends to use the net proceeds for the purposes set forth above, the Resulting Issuer reserves the right to use such net proceeds for other purposes to the extent that circumstances, including unforeseen events and other sound business reasons, make such use necessary or prudent. If the Resulting Issuer believes it would be in the Resulting Issuer's best interest to do so, the Resulting Issuer may re-allocate the net proceeds as a result of changes to the Resulting Issuer's strategy in response to changing market conditions and other risk factors described under "*Risk Factors*".

**Business Objectives and Milestones**

the Resulting Issuer intends to become an industry-leader in brand partnerships and the identification of niche markets within the consumer electronics industry. EBN's current product roadmap is dependent on the validation of its proposed smart home monitoring, air purification and smartwatch product launches. The Resulting Issuer believes that following the successful validation of these products, and the successful launch of its proposed smart lighting product category, the Resulting Issuer can prove to the market that it is a unique company capable of driving increased margins and generating

incremental cash flow from a long product map.

**Other Potential Sources of Funding**

On July 28, 2020, eBuyNow and CMC executed a non-binding term sheet pursuant to which CMC indicated its willingness to purchase the future accounts receivable of eBuyNow for an aggregate purchase price of up to US$3,000,000, in tranches. On August 5, 2020, CMC purchased a first tranche of US$558,750 for a purchase price of US$500,000 plus a factoring commission equal to 11.75% of the purchase price, pursuant to a contract for the sale of future accounts receivable. On October 13, 2020, CMC purchased a second tranche of US$560,000 for a purchase price of US$500,000 plus a factoring commission equal to 11.75% of the purchase price, pursuant to a contract for the sale of future accounts receivable.

On April 16, 2020, EBN and Stenn executed a framework agreement pursuant to which Stenn indicated its willingness to purchase the future accounts receivables of EBN. The purchase price for the future accounts would be determined on the sale date and be equal to the face value of the account receivable minus a 10% deduction, a discount at the rate of 7.9% per annum calculated for the period from the sale date to and including the due date of that account receivable, and a volume adjustment fee of between 0.0% and 3.5% per annum, depending on the volume of accounts receivable sold, which would be applied to the difference between the deduction and the discount. The amount equal to the difference between the deduction and the discount would be a late payment reserve, rebatable to EBN depending on whether the account receivable was settled on the due date or later. For example, on an account receivable with a face value of US$500,000 and payment terms of 120 days, Stenn would initially deduct 10% of the face value being US$50,000. Of this US$50,000, US$13,166 would be the 7.9% discount applied to the purchase price. The remaining $36,834, less the applicable volume adjustment fee, would be the rebatable amount.

On March 11, 2021, a U.S. lender granted the EBN Credit Facility, a revolving line of credit, to eBuyNow in the maximum amount of US$3,000,000, for short-term working capital purposes. As of the date of this prospectus, eBuyNow has drawn down on US$500,000 under the EBN Credit Facility. eBuyNow is not permitted to draw down on more than US$500,000 before the "Early Termination Date" of the EBN Credit Facility, which is the date that is the earlier of (a) 90 days following the date of the EBN Credit Facility, and (b) the date on which the TSXV issues a bulletin after the Proposed Qualifying Transaction and the submission of all required documentation that evidences the final TSXV acceptance of the Proposed Qualifying Transaction. The lender may in its sole discretion extend the Early Termination Date or require eBuyNow to pay all outstanding amounts under the EBN Credit Facility on the Early Termination Date. The outstanding balance of the EBN Credit Facility bears interest at a variable rate of 6.5% over the prime rate, where the prime rate is the Wall Street Journal Prime Rate. In addition, the EBN Credit Facility requires eBuyNow to pay the lender a monthly collateral management fee equal to 0.25% of the outstanding balance and an annual facility fee equal to 1% of the maximum amount of US$3,000,000. The obligations of eBuyNow under the EBN Credit Facility are secured by a second-ranking security interest in all the present and after-acquired personal property of eBuyNow, except for a first-ranking security interest in its U.S. accounts receivable and inventory. If the EBN Credit Facility is extended beyond the Early Termination Date, the EBN Credit Facility matures on March 11, 2023.

The above other potential sources of funding are contingent, and may not materialize. In the event that such potential sources of funding are available to the Resulting Issuer, such sources of funding will be used for working capital and general corporate purposes.

**History of Negative Cash Flow**

EBN has a history of negative cash flow, including negative cash flow from operating activities in its most recently completed financial year (i.e., the year ended March 31, 2020). The Resulting Issuer intends to indirectly use proceeds of the Offering to fund negative cash flow from operating activities in future periods by negotiating an increase in the maximum principal amount of the EBN Credit Facility.

Although the Resulting Issuer expects to achieve positive cash flow and profitability during the next 12 months, it cannot guarantee that it will become cash-flow positive or profitable during such period or at all. If the Resulting Issuer cannot negotiate an increase in the maximum principal amount of the EBN Credit Facility or its revenues do not increase as anticipated, then the Resulting issuer may have no option but to use a portion of the proceeds of the Offering to fund negative cash flow. Further, the Resulting Issuer needs to maintain forecasted sources and uses of funds, including but not

limited to revenues, estimated cost of products and services, and estimated selling and general and administrative expenses, in order to achieve profitability. Negative cash flow or the failure to become profitable in any future fiscal period could result in an Adverse Material Change to the Resulting Issuer.

**Financial Condition and Sufficiency of Proceeds**

***Estimated Sources of Funds During Next 12 Months***

The following table sets out the estimated sources of funds of the Resulting Issuer during the next twelve months:

| Estimated Source of Funds | Assuming Minimum Offering |
|---|---|
| Revenues during next 12 months[(1)] | $45,359,495 |
| Change in non-cash working capital during next 12 months[(2)] | $(5,418,712) |
| Net proceeds of the Offering | $13,800,000 |
| **Total** | **$53,740,783** |

Notes:

(1) The disclosure about estimates of revenues during the next 12 months constitutes future-oriented financial information under Securities Laws. The purpose of this disclosure is to provide prospective purchasers with information about the financial condition of the Resulting Issuer and the sufficiency of the net proceeds of the Offering during the next 12 months. This disclosure may not be appropriate for other purposes.

(2) This number includes $2,774,960 in working capital and general corporate purposes and $2,546,000 in inventory purchases from the use of proceeds of the Offering.

***Estimated Uses of Funds During Next 12 Months***

The following table sets out the estimated use of funds of the Resulting Issuer during the next twelve months:

| Estimated Use of Funds | Assuming Minimum Offering |
|---|---|
| Repayment of EBN Secured Debentures[(1)] | $3,425,040 |
| Repayment of EBN Secured Note[(1)] | $320,254 |
| Repayment of Cinatic Shareholder Loans[(1)] | $249,000 |
| Repayment of EBN Credit Facility[(1)] | $650,000 |
| Repayment of short-term debt[(1)] | $2,680,746 |
| Execution of new brand licenses[(1)] | $134,000 |
| Estimated expenses of the Offering[(1)] | $750,000 |
| Estimated cost of products and services[(2)] | $30,597,017 |
| Estimated selling, general, and administrative expenses[(3)] | $9,545,340 |
| Estimated interest expenses[(3)] | $46,181 |
| Estimated R&D expenses[(4)] | $170,000 |
| Estimated net repayment of debt[(3)] | $2,557,482 |

| Estimated Use of Funds | Assuming Minimum Offering |
|---|---|
| Estimated capital expenditures[3] | $313,088 |
| Estimated income tax expenditures[3] | $219,719 |
| **Total** | **$51,657,867** |

Note:

(1) For more information, see *"Information about the Offering – Use of Proceeds – Proceeds"*.

(2) For more information, see *"Information about the Offering – Use of Proceeds – Financial Condition and Sufficiency of Proceeds – Sales Prices of Products During Next 12 Months"*.

(3) Management's best estimates based on historical financial information and the sales projections more particularly described below.

(4) For more information, see *"Information about the Offering – Use of Proceeds – Financial Condition and Sufficiency of Proceeds – Sales of New Products During Next 12 Months"*.

Based on the foregoing estimated sources and uses of funds, the estimated change in cash balance in the next 12 months will be $2,082,916.

***Sales of New Products During Next 12 Months***

As a part of its ongoing operations, the Resulting Issuer expects to launch the following new products during the next twelve months:

| Category | Product Identifier | Expected Availability Date |
|---|---|---|
| Smart Home: Air Purifier | AP550 (2 fan) | Launched February 2021 |
| Smart Home: Air Purifier | AP250 (4 fan) | August 2021 |
| Smart Home: Smart Lighting | R100 | May 2021 |
| Smart Home: Security Cameras | F780 | May 2021 |
| Wearables: Smartwatch | MOTW-G1 | June 2021 |
| Wearables: Fitness Band | MOTW-A1 | July 2021 |
| Wearables: Fitness Band | MOTW-B1 | July 2021 |
| Forced Air: Air Conditioner / Heater | AC100 | October 2021 |
| Forced Air: Dehumidifier | AD100 | October 2021 |
| Smart Home: Baby Monitor | C550 | September 2021 |

The Resulting Issuer forecasts the sale of 85,674 units of baby monitors, 49,455 units of air purifiers, 18,219 units of outdoor security, 18,230 units of smart lighting, 5,905 units of air conditioners, 5,905 units of space heaters, 1,001 units of dehumidifiers, 1,001 units of humidifiers, 40,137 units of smartwatches and 56,173 units of fitness trackers in the next twelve months. Forecast sales quantities are inclusive of both estimated direct-to-consumer sales forecasts and distributor sales forecasts.

Direct-to-consumer sales forecasts for new products are generated by creating a list of competitor products. A monthly estimate of competitor product sales is then prepared using information gathered from ecommerce marketplaces using

internal methods, processes, and commercially-available third-party research tools (such as JungleScout.com, Algopix.com, Helium10.com, and Zonguru.com). The Resulting Issuer then assesses its ability to compete on a product-by-product basis against this list of competitor products and estimates direct-to-consumer peak monthly unit sales estimates for new products between the 50th and 75th percentile of the estimated monthly sales by direct product competitors. The sales estimates are reviewed by the Resulting Issuer based on the its current capability and historical performance.

For products being introduced over the next 12 months, the following is the Resulting Issuer's estimate of the direct-to-consumer peak unit sales that are expected on a monthly basis. Once a product has been fully launched into market, the Resulting issuer estimates to reach the peak monthly unit sales between eight to 16 months, based on product category:

| Product Category | Direct-to-Consumer Peak Monthly Unit Sales Expectation |
|---|---|
| Baby | 4,147 |
| Air Purifiers | 2,436 |
| Wearables (Smartwatch / Fitness Band) | 6,711 |
| Outdoor Security | 3,787 |
| Lighting | 4,656 |
| Air Conditioning /Heating | 3,597 |
| Dehumidifiers / Humidifiers | 3,202 |

The Resulting issuer's sales expectations are based on certain key assumptions related to direct-to-consumer peak monthly unit sales:

- that the management of the Resulting Issuer possesses the competency to identify realistic competitors in each product category. Each of the competitors must have a similar target demographic, price, and feature set. This is considered by the management of the Resulting Issuer to be a fair and reasonable assumption based on the historical methodology and sales traction in the baby monitor and smartwatch categories;
- that product competitors represent an accurate sample of the market, and the sales estimation data used is accurate within a reasonable range. This is considered by management of the Resulting Issuer to be a fair and reasonable assumption based on validation of sales estimate data against multiple commercially available ecommerce marketplace sales estimation tools (such as JungleScout.com, Algopix.com, Helium10.com, and Zonguru.com);
- that on a product basis, each product will peak between the 50th (median) and 75th percentile of sales, against the list of management selected competitors. The management of the Resulting issuer believes this is a fair and reasonable assumption based on EBN's historical performance in baby monitors and smartwatches, using the same competitor selection and sales estimation methodology;
- that, after achieving the direct-to-consumer peak monthly unit sales, growth will cease for a specific product;
- that, after a period lasting 12-24 months operating at peak monthly unit sales, it is assumed growth will decline. During this period, a replacement product targeted at the same market segment will be introduced, leading to neither growth nor decline of unit sales, despite multiple models being in the market at the same time, as it is assumed the new product is a substitute for the old;
- that the introduction of additional product models targeted at the same market segment will not increase total unit sales; and
- that peak monthly unit sales will be reached between 8-16 months, varying from product to product based on the strength of the product value proposition and pre-existing brand awareness in a given product category. This is considered fair and reasonable based on the experience of management in the eCommerce and consumer-electronics industries.

Distributor sales forecasts are estimated by management based on detailed discussions with the distributors of its products.

For a description of the material risk factors that could cause actual results to differ from the foregoing projections regarding the new products to be launched during the next twelve months and the number of products to be sold during the next 12 months, see *"Information about the Offering – Risk Factors – Risks Relating to the Business"*.

***Sales Prices of Products During Next 12 Months***

The Resulting Issuer forecasts an average selling price of $194.99 for baby monitors, $388.70 for air purifiers, $259.99 for outdoor security, $103.99 for smart lighting, $220.99 for air conditioning, $168.99 for space heaters, $298.99 for dehumidifiers, $168.99 for humidifiers, $298.99 for smartwatches, and $168.99 for fitness trackers. Selling prices are based on competitor market research and management's professional judgment.

As a share of cost of products and services for all product lines, the Resulting Issuer has mandated to its sales and products teams total direct costs of 66% of gross sales revenue based on historical results for combined direct-to-consumer, direct-to-retailer and regional distribution sales. With regards to ensuring that the cost of products is set at an average of 66% against sales revenues, the Resulting Issuer has continuously refined internal processes to ensure that, before any product is approved for development and manufacturing, the market data research models channel costs, competitive positioning, and factory costs are understood and approved by management. The Resulting Issuer intends to focus on growing the overall sales of products direct-to-consumer to continue increasing as a percentage of the business overall. Direct-to-consumer sales have historically provided EBN's highest gross margins.

For a description of the material risk factors that could cause actual results to differ from the foregoing projections regarding the average sales prices for products, see *"Information about the Offering – Risk Factors – Risks Relating to the Business"*.

***Accounts Receivable, Accounts Payable, and Inventory Balances***

Based on the foregoing expectations regarding new products, product prices, and product sales, during the next twelve months, the Resulting issuer forecasts a $5,140,642 increase in accounts receivable balances, a $7,187,353 increase in accounts payable balances, and a $6,934,196 increase in inventory balances. This disclosure constitutes future-oriented financial information under Securities Laws. The purpose of this disclosure is to provide prospective purchasers with information about the financial condition of the Resulting Issuer and the sufficiency of the net proceeds of the Offering during the next 12 months, and may not be appropriate for other purposes.

For a description of the material risk factors that could cause actual results to differ from the foregoing projections regarding increases in accounts payable, accounts receivable, and inventory balances; see *"Information about the Offering – Risk Factors – Risks Relating to the Business"*.

**CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Nerland Lindsey LLP, counsel to the Corporation, the following summary, as at the date of this prospectus, describes the principal Canadian federal income tax considerations generally applicable under the Tax Act to an Arm's Length Receiptholder. Generally, the Subscription Receipts, Resulting Issuer Shares, and Resulting Issuer Warrants will be capital property to an Arm's Length Receiptholder on the condition that the Arm's Length Receiptholder does not acquire or hold the Subscription Receipts, Resulting Issuer Shares or Resulting Issuer Warrants in the course of carrying on a business of trading in or dealing in securities or as part of an adventure or concern in the nature of trade.

This summary is based on the current provisions of the Tax Act, and the understanding of Nerland Lindsey LLP of the current administrative policies and assessing practices of the CRA published in writing prior to the date of this prospectus. This summary takes into account all Proposed Amendments and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in Law whether by legislative, administrative, or judicial action, nor does it take into account the Law or considerations of any province, territory, or foreign jurisdiction, which may differ from those discussed in this section.

This summary does not apply to an Arm's Length Receiptholder (a) that is a "specified financial institution", (b) an interest in which is a "tax shelter investment", (c) that is a "financial institution" for purposes of the mark-to-market rules contained in the Tax Act, (d) that has elected to determine its Canadian tax results in a foreign currency under the functional currency rules contained in the Tax Act, or (e) that has entered into a "derivative forward agreement" or "synthetic disposition arrangement" with respect to the Subscription Receipts (each as defined in the Tax Act). Such an Arm's Length Receiptholder should consult its own tax advisors with respect to an investment in the Subscription Receipts.

***This summary is of a general nature only and is not exhaustive of all Canadian federal income tax considerations applicable to an investment in the Subscription Receipts or the Resulting Issuer Shares and Resulting Issuer Warrants issuable pursuant to the Subscription Receipts. The tax consequences of acquiring, holding, or disposing of Subscription Receipts or the Resulting Issuer Shares and Resulting Issuer Warrants issuable pursuant to the Subscription Receipts will vary according to the status and circumstances of the particular Purchaser. This summary is not intended to be legal or tax advice to any particular Purchaser. Accordingly, a prospective Purchaser should consult its own tax advisors having regard to its own particular circumstances.***

This summary is based upon the understanding of Nerland Lindsey LLP that a Subscription Receipt evidences a right to acquire a Resulting Issuer Share and one Resulting Issuer Warrant upon the satisfaction of certain conditions. However, no advance income tax ruling has been sought from the CRA in this regard and Nerland Lindsey LLP is not aware of any judicial authority with respect to this characterization.

**Exchange of Subscription Receipts for Units and Allocation of Cost**

No capital gain or capital loss will be realized by an Arm's Length Receiptholder on the exchange of a Subscription Receipt for a Resulting Issuer Share and one Resulting Issuer Warrant.

Pursuant to the Tax Act, the Corporation and Arm's Length Receiptholders will be required to allocate, on a reasonable basis, the Offering Price between the Resulting Issuer Share and the one Resulting Issuer Warrant comprising such Unit and the amounts so allocated will constitute the purchase price of each such security. For its purposes, the Corporation intends to allocate $3.80 of the Offering Price as consideration for the issue of each Resulting Issuer Share and $0.35 of the Offering Price as consideration for the issue of each one Resulting Issuer Warrant. Although the Corporation believes that its allocation is reasonable, it is not binding on the CRA or any other tax authority.

The adjusted cost base of a Resulting Issuer Share issued pursuant to a Subscription Receipt will be the Offering Price allocated to the Resulting Issuer Share plus reasonable costs associated with the acquisition of the Resulting Issuer Share. For purposes of determining the adjusted cost base, at any particular time, of any Resulting Issuer Share acquired pursuant to the Subscription Receipts, the adjusted cost base of such Resulting Issuer Share must be averaged with the adjusted cost base of any other Resulting Issuer Shares held by the Arm's Length Receiptholder as capital property at that particular time.

**Exercise of Resulting Issuer Warrants**

No capital gain or capital loss will be realized by an Arm's Length Receiptholder upon the exercise of a Resulting Issuer Warrant. When a Resulting Issuer Warrant is exercised, the cost of the Resulting Issuer Share acquired thereby will be the aggregate of the adjusted cost base of such Resulting Issuer Warrant and the exercise price paid for the Resulting Issuer Share. For purposes of determining the adjusted cost base, at any particular time, of the Resulting Issuer Share so acquired, the adjusted cost base of such Resulting Issuer Share must be averaged with the adjusted cost base of any other Resulting Issuer Shares held by the Arm's Length Receiptholder as capital property at that particular time.

**Taxation of Resident Receiptholders**

This portion of the summary is generally applicable to a Resident Receiptholder.

***Disposition of Subscription Receipts***

A disposition or deemed disposition by a Resident Receiptholder of a Subscription Receipt (other than on the acquisition of a Resulting Issuer Share and one Resulting Issuer Warrant pursuant to the terms of the Subscription Receipt), including on

the repayment of the Offering Price because the Escrow Release Conditions have not been satisfied, will generally result in the Resident Receiptholder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than the adjusted cost base of the Subscription Receipt, which will generally be equal to the amount paid by the Resident Receiptholder to acquire the Subscription Receipt. See *"Certain Canadian Income Tax Considerations – Taxation of Resident Receiptholders – Taxation of Capital Gains and Capital Losses"*.

If a Resident Receiptholder becomes entitled to repayment of the Offering Price of a Subscription Receipt because the Escrow Release Conditions have not been satisfied, any amount that is paid to the Resident Receiptholder by the Corporation as or on account of interest earned on the Escrowed Funds will be included in the income of the Resident Receiptholder and excluded from the proceeds of disposition of the Resident Receiptholder.

***Resulting Issuer Shares – Dividends***

Dividends received or deemed to be received on the Resulting Issuer Shares will be included in the income of the Resident Receiptholder. In the case of an individual Resident Receiptholder (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable in respect of taxable dividends received from "taxable Canadian corporations" (as defined in the Tax Act), including the enhanced gross-up and dividend tax credit to the extent any dividend is designated by the Resulting Issuer as an eligible dividend in accordance with the Tax Act. There may be limitations on the ability of the Resulting Issuer to designate dividends as eligible dividends. A dividend received or deemed to be received by a Resident Receiptholder that is a corporation will generally be deductible in computing the taxable income of the Resident Receiptholder, to the extent and in the circumstances provided in the Tax Act. In certain circumstances, subsection 55(2) of the Tax Act will treat a dividend or deemed dividend received by a Resident Receiptholder that is a corporation as a capital gain or proceeds of disposition. Such Resident Receiptholders should consult their own tax advisors in this regard.

A Resident Receiptholder that is a "private corporation" or a "subject corporation" (each as defined in the Tax Act) will generally be liable to pay a refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on Resulting Issuer Shares to the extent such dividends are deductible in computing the taxable income of the Resident Receiptholder.

***Disposition of Resulting Issuer Shares***

A Resident Receiptholder that disposes of or is deemed to dispose of a Resulting Issuer Share (other than on a disposition to the Resulting Issuer that is not a sale in the open market in the manner in which shares would normally be purchased by any member of the public in an open market) will generally realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than the adjusted cost base to the Resident Receiptholder of the Resulting Issuer Share. See *"Certain Canadian Income Tax Considerations – Taxation of Resident Receiptholders – Taxation of Capital Gains and Capital Losses"*.

The amount of any capital loss realized by a Resident Receiptholder that is a corporation on the disposition or deemed disposition of a Resulting Issuer Share may be reduced by the amount of any dividends received or deemed to be received by the Resident Receiptholder on such Resulting Issuer Share. Similar rules may apply where a Resulting Issuer Share is owned by a partnership or trust of which a corporation, trust, or partnership is a member or beneficiary. Such Resident Receiptholders should consult their own tax advisors.

***Disposition and Expiry of Resulting Issuer Warrants***

A disposition or deemed disposition by a Resident Receiptholder of a Resulting Issuer Warrant (other than upon the exercise of the Resulting Issuer Warrant) will generally give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than the adjusted cost base of the Resulting Issuer Warrant. In the event of the expiry of an unexercised Resulting Issuer Warrant, the Receiptholder will realize a capital loss equal to the adjusted cost base of such Resulting Issuer Warrant. See *"Certain Canadian Income Tax Considerations – Taxation of Resident Receiptholders – Taxation of Capital Gains and Capital Losses"*.

***Taxation of Capital Gains and Capital Losses***

Generally, a Resident Receiptholder is required to include in income for a taxation year one-half of any capital gain realized in the year and may deduct one-half of any capital loss realized in a taxation year from taxable capital gains realized by the Resident Receiptholder in that year. Allowable capital losses in excess of taxable capital gains for the year may be deducted in any of the three preceding taxation years or any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances provided in the Tax Act.

A Resident Receiptholder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax on its "aggregate investment income" (as defined in the Tax Act) which includes taxable capital gains.

***Minimum Tax***

A Resident Receiptholder who is an individual, including certain trusts, may be subject to alternative minimum tax as a consequence of receiving or being deemed to receive taxable dividends on the Resulting Issuer Shares or realizing a capital gain on the disposition or deemed disposition of the Subscription Receipts, Resulting Issuer Shares or Resulting Issuer Warrants. Resident Receiptholders who are individuals should consult their own tax advisors.

**Taxation of Non-Resident Receiptholders**

This portion of the summary is generally applicable to a Non-Resident Receiptholder. Special rules, which are not discussed in this summary, apply to a Non-Resident Receiptholder that is an insurer carrying on business in Canada and elsewhere or is an "authorized foreign bank" (as defined in the Tax Act). Such Holders should consult their own tax advisors.

***Disposition of Subscription Receipts and Resulting Issuer Shares***

A Non-Resident Receiptholder will be subject to tax under the Tax Act on any capital gains realized on the disposition or deemed disposition of a Subscription Receipt, a Resulting Issuer Share or a Resulting Issuer Warrant only if the Subscription Receipt, Resulting Issuer Share or Resulting Issuer Warrant is "taxable Canadian property" (as defined in the Tax Act) to the Non-Resident Receiptholder and the Non-Resident Receiptholder is not entitled to relief under an applicable income tax treaty between Canada and the country in which the Non-Resident Receiptholder is resident.

Generally, the Subscription Receipts, Resulting Issuer Shares and Resulting Issuer Warrants will not be taxable Canadian property to a Non-Resident Receiptholder at a particular time provided that the Resulting Issuer Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the TSXV), unless at any time during the 60-month period immediately preceding the disposition, (a) at least 25% of the issued shares of any class or series of the capital stock of the Resulting Issuer were owned by or belonged to one or any combination of (i) the Non-Resident Receiptholder, (ii) persons with whom the Non-Resident Receiptholder did not deal at arm's length, and (iii) partnerships in which the Non-Resident Receiptholder or a person described in (ii) holds a membership interest directly or indirectly through one or more partnerships; and (b) at such time, more than 50% of the fair market value of the Resulting Issuer Shares was derived directly or indirectly from one or any combination of: (i) real or immovable properties situated in Canada; (ii) "Canadian resource properties" (as defined in the Tax Act); (iii) "timber resource properties" (as defined in the Tax Act); and (iv) options in respect of, or interests in, or for civil Law rights in, property in any of the foregoing whether or not the property exists. A Subscription Receipt, Resulting Issuer Share or Resulting Issuer Warrant may also be deemed to be taxable Canadian property in certain other circumstances. Non-Resident Receiptholders should consult their own tax advisors as to whether their Subscription Receipts, Resulting Issuer Shares or Resulting Issuer Warrants constitute taxable Canadian property in their own particular circumstances.

In cases where a Non-Resident Receiptholder disposes or is deemed to dispose of a Subscription Receipt, Resulting Issuer Share, or Resulting Issuer Warrant that is taxable Canadian property to the Non-Resident Receiptholder, and the Non-Resident Receiptholder is not entitled to an exemption under an applicable income tax treaty or convention, the consequences described above under the heading "*Certain Canadian Income Tax Considerations – Taxation of Resident*

*Receiptholders – Taxation of Capital Gains and Capital Losses*" will generally be applicable to the disposition.

Non-Resident Receiptholders whose Subscription Receipts, Resulting Issuer Shares or Resulting Issuer Warrants may constitute taxable Canadian property should consult their own tax advisors.

***Canadian Withholding Tax***

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Receiptholder on Resulting Issuer Shares will be subject to withholding tax under the Tax Act at a rate of 25%, subject to reduction under the provisions of an applicable income tax treaty. For example, where a Non-Resident Receiptholder is a resident of the United States, is fully entitled to the benefits under the Canada-United States Tax Convention (1980), as amended, and is the beneficial owner of the dividend, the applicable rate of Canadian withholding tax is generally reduced to 15%, and further reduced to 5% in the case of a Non-Resident Receiptholder that is a corporation that owns beneficially at least 10% of the voting stock of the Resulting Issuer.

If the parties fail to satisfy the Escrow Release Conditions, the repayment of the Offering Price (including any amount paid as or on the account of interest earned on the Escrowed Funds) to a Non-Resident Receiptholder will not generally be subject to non-resident withholding tax under the Tax Act.

**ELIGIBILITY FOR INVESTMENT**

In the opinion of Nerland Lindsey LLP, counsel to the Corporation, the Subscription Receipts to be issued pursuant to the Offering and the Resulting Issuer Shares and Resulting Issuer Warrants issuable pursuant of the Subscription Receipts, if issued on the date of this prospectus, would be qualified investments for a trust governed by a Registered Plan and a DPSP, provided that (i) in the case of the Resulting Issuer Shares, the Resulting Issuer Shares are then listed on a "designated stock exchange" for purposes of the Tax Act (which currently includes the TSXV) or the Resulting Issuer then qualifies as a "public corporation"(other than a "mortgage investment corporation") (each as defined in the Tax Act); and (b) in the case of the Subscription Receipts and the Resulting Issuer Warrants, the Resulting Issuer Shares underlying the Subscription Receipts and Resulting Issuer Warrants are then qualified investments as described in paragraph (a) and the Resulting Issuer is not, and deals at arm's length with each Person who is, an annuitant, a beneficiary, an employer, or a subscriber under or a holder of such Registered Plan or DPSP.

Notwithstanding that a Subscription Receipt, Resulting Issuer Share or Resulting Issuer Warrant may be a qualified investment for a trust governed by a Registered Plan, the holder or subscriber of, or an annuitant under, a Registered Plan who holds such Resulting Issuer Share or Resulting Issuer Warrant will be subject to a penalty tax if such securities are a "prohibited investment" for the particular Registered Plan. A Subscription Receipt, Resulting Issuer Share or Resulting Issuer Warrant will be a "prohibited investment" for a Registered Plan if such individual: (a) does not deal at arm's length with the Resulting Issuer for purposes of the Tax Act; or (b) has a "significant interest", as defined in the Tax Act, for the purposes of the prohibited investment rules, in the Resulting Issuer. Such individuals should consult their own tax advisors with respect to whether the Subscription Receipts, the Resulting Issuer Shares and Resulting Issuer Warrants would be prohibited investments in their particular circumstances.

**RISK FACTORS**

An investment in the Subscription Receipts is subject to certain risks. A Purchaser should carefully consider the following risk factors in addition to the other information contained in this prospectus before purchasing Subscription Receipts. The risks stated below are not the only risks to which the Resulting Issuer will be subject. If any of the following risks actually occur, the business of the Resulting Issuer may be harmed and the financial condition and results of operations of the Resulting Issuer may significantly suffer. In that event, the trading price of the Resulting Issuer could decline, and a Purchaser may lose all or part of its investment.

**Risks Relating to the Business**

***Substantial Capital Requirements***

The Resulting Issuer will have limited financial resources and may require substantial additional equity or debt financing in order to carry out its business objectives, including the continued development of new and upgraded functionality of its products and services. There can be no assurance that debt or equity financing or cash generated by operations would be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it would be on terms acceptable to the Resulting Issuer. The failure of the Resulting Issuer to obtain sufficient financing may result in the delay or indefinite postponement of the development or production of any or all of the products and services of the Resulting Issuer, which could result in an Adverse Material Change to the Resulting Issuer.

***History of Negative Cash Flow***

EBN has a history of negative cash flow, including negative cash flow from operating activities in its most recently completed financial year (i.e., the year ended March 31, 2020). The Resulting Issuer intends to indirectly use proceeds of the Offering to fund negative cash flow from operating activities in future periods by negotiating an increase in the maximum principal amount of the EBN Credit Facility.

Although the Resulting Issuer expects to achieve positive cash flow and profitability during the next 12 months, it cannot guarantee that it will become cash-flow positive or profitable during such period or at all. If the Resulting Issuer cannot negotiate an increase in the maximum principal amount of the EBN Credit Facility or its revenues do not increase as anticipated, then the Resulting issuer may have no option but to use a portion of the proceeds of the Offering to fund negative cash flow. Further, the Resulting Issuer needs to maintain forecasted sources and uses of funds, including but not limited to revenues, estimated cost of products and services, and estimated selling and general and administrative expenses, in order to achieve profitability. Negative cash flow or the failure to become profitable in any future fiscal period could result in an Adverse Material Change to the Resulting Issuer.

***Product Development***

The market for the products of the Resulting Issuer is characterized by rapidly changing technology, evolving industry standards, and customer requirements. The introduction of products embodying new technology and the emergence of new industry standards can render the existing technology solutions of the Resulting Issuer obsolete or unmarketable and can exert price pressures on existing solutions. It is critical to the success of the Resulting Issuer 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 Resulting Issuer 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 Resulting Issuer will need to continue developing new and upgraded functionality of its products and services. The Resulting Issuer 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 Resulting Issuer is not able to adapt to new technologies and/or standards, experiences delays in implementing adaptive measures or fails to accurately predict emerging technological trends and the changing needs of end-users, the Resulting Issuer may lose clients or fail to secure new clients. The Resulting Issuer has developed and is continuing to develop several products and services incorporating advanced technologies and it will pursue those products and services that it expects to have the best chance for success based on the expectations of the Resulting Issuer of future market demand. The development and application of new technologies involve time, substantial costs and risks. There can be no certainty that the Resulting Issuer 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 Resulting Issuer.

***IP Rights***

The Resulting Issuer 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 Resulting Issuer seeks to patent concepts, components, protocols and other inventions that the Resulting Issuer considers having commercial value or that will likely give the Resulting Issuer a technological advantage. The Resulting Issuer owns licenses to an array of patented and patent pending technologies relating to air purifiers in Canada and overseas. The Resulting Issuer continues to devote significant resources to protecting the proprietary technology. However, the Resulting Issuer may not be able to develop technology that is patentable, patents may not be issued in connection with our pending applications, and claims allowed may not be sufficient to provide the Resulting Issuer with exclusive protection for its technology. Furthermore, any patents or licenses to patents issued to the Resulting Issuer could be challenged, invalidated, or circumvented and may not provide proprietary protection or a competitive advantage to the Resulting Issuer.

The industry that the Resulting Issuer competes in has many participants that own or claim to own IP. The Resulting Issuer cannot determine with certainty whether any existing third-party patents or the issuance of any new third-party patents would require the Resulting Issuer to alter their technologies, obtain licenses, or cease certain activities. The Resulting Issuer may in the future receive claims from third parties asserting infringement and other related claims. Further, litigation may continue to be necessary to determine the scope, enforceability and validity of third-party proprietary rights or to establish proprietary rights. Regardless of whether the claims are infringing patents or other IP that may have any merit, those claims could:

- adversely affect relationships with current or future network carriers and licensees of the licensing program of the Resulting Issuer;
- be time-consuming to evaluate and defend;
- result in costly litigation;
- cause product shipment delays or stoppages;
- divert the attention and resources of management;
- subject the Resulting Issuer to significant liabilities;
- require the Resulting Issuer to enter into royalty or licensing agreements; and
- require the Resulting Issuer to cease certain activities.

The Resulting Issuer may also face claims of infringement in the future that could interfere with the ability of the Resulting Issuer to use technology that is material to its business operations.

The protection of the rights sought in published patent applications can be costly and uncertain, as well can involve complex legal and factual questions. In addition, the Laws of certain jurisdictions in which the products are sold or licensed do not protect IP rights to the same extent as the Laws of Canada. Therefore, the breadth of claims allowed in the patents, and their enforceability, cannot be predicted. Even if the patents are held to be enforceable, others may be able to design around the patents of the Resulting Issuer or develop products similar to the products of the Resulting Issuer that are not within the scope of the patents. The Resulting Issuer cannot provide assurance that any of the patents or patent applications to which it holds licenses will provide any protection or competitive advantages.

In addition to its licenses to patents, the Resulting Issuer relies on copyrights, trademarks, trade secrets, confidentiality procedures and contractual provisions to protect our proprietary rights. While the Resulting Issuer enters into confidentiality and non-disclosure agreements with the employees, consultants, contract manufacturers, customers, potential customers of the Resulting Issuer, and others to attempt to limit access to and distribution of the proprietary and confidential information of the Resulting Issuer, it is possible that:

- some or all of the confidentiality agreements of the Resulting Issuer will not be honoured;
- third parties will independently develop equivalent technology;

- disputes will arise with the strategic partners or customers of the Resulting Issuer, or others concerning the ownership of IP; or
- unauthorized disclosure of the know-how or trade secrets of the Resulting Issuer will occur.

Therefore, the Resulting Issuer cannot provide assurance that it will be successful in protecting IP.

***Loss of Licenses***

As a part of its product branding strategy, the Resulting Issuer licenses trademark rights from various brands. The standard contract terms of these trademark license agreements grant the right to the licensor to terminate the contract, either fully, or on a regional basis, throughout the term of the contract, should the Resulting Issuer fail to meet the minimum sales requirements or make payment of the guaranteed minimum royalty dollar value set forth within the trademark licensing agreements.

The minimum sales requirements and guaranteed minimum royalties are subject to contractual confidentiality clauses and disclosure of the minimum sales requirements or guaranteed minimum royalties themselves may be considered a cause to terminate fully, or on a regional basis, the trademark licensing agreement by the trademark licensor. The Resulting Issuer has current trademark license agreements that require sales in specific global territories of which the Resulting Issuer does not yet have sales operations or has sales operations not yet resulting in sales greater than the minimum sales requirements mandated in the trademark licensing agreements. There is a risk that, if the Resulting Issuer does not generate sales greater than the minimum sales requirements in these territories, then the Resulting issuer could lose its license for the territory. The trademark licensor retains the right to remove any specific territory from the license agreement should the minimum sales not be met within the territory during a prescribed calendar year. To maintain each of the current authorized regional trademark rights under the current trademark licensing agreements, the aggregate minimum sales for the calendar year 2021 is US$48,320,000 for all territories, and the aggregate guaranteed minimum royalty for the fiscal year 2021 is US$980,000.

The loss of any IP licenses with brand partners could result in an Adverse Material Change to the ability of the Resulting Issuer to develop new products and market our existing products. In the event that the license to use the brands and trademarks are terminated or are not renewed after the end of the term, there is no guarantee the Resulting Issuer will be able to find a suitable replacement or that if a replacement is found that it will be on favourable terms. As a result of the lapse or termination of any licenses, the brand-name appeal of the Resulting Issuer to its existing customers and brand partners could result in an Adverse Material Change to the Resulting Issuer.

***Competition***

The Resulting Issuer is engaged in an industry that is highly competitive and rapidly evolving. In order to retain and attract new customers and brand partnerships, the Resulting Issuer will need to continue to execute its orders at competitive prices. The competitors of the Resulting Issuer will range from small venture backed enterprises with limited resources to multi-national technology companies with larger customer bases. The multi-national technology companies will have more established name recognition and substantially greater financial, marketing, technological and personnel resources than the Resulting Issuer will have. These advantages may enable them, among others to:

- develop products that are similar or more attractive to customers in the same or similar market to the business of the Resulting Issuer;
- provide products and services that the Resulting Issuer does not offer;
- provide product execution and other related services that are more rapid, reliable, efficient, and less expensive than the Resulting Issuer;
- offer products at prices below those of the Resulting Issuer in order to gain market share;
- promote other businesses and adapt at a faster rate to market conditions;
- offer new technologies and create new customer demands;
- offer better, faster and more reliable technology;
- outbid the Resulting Issuer for desirable acquisition targets, key suppliers and access to sales channels;
- market, promote and sell their products and services more effectively; and

- develop stronger relationships with customers.

These larger and better capitalized competitors may have access to capital in greater amounts and at lower costs than the Resulting Issuer will have access to, and thus, may be better able to respond to changes in the technology, consumer and household goods markets. The Resulting Issuer's competitors may be able to acquire skilled professionals, fund internal growth, and offer products and services at lower prices than the Resulting Issuer. As a result, the Resulting Issuer's competitors may deliver new products and solutions earlier, or provide more attractively priced, enhanced or better-quality products than the Resulting Issuer.

***Inability to Respond to Customer Demands***

The new products provided by the competitors of the Resulting Issuer may render the existing products of the Resulting Issuer less competitive. The success of the Resulting Issuer will depend, in part, on the ability of the Resulting Issuer 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 Resulting Issuer 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 Resulting Issuer 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 Resulting Issuer.

***Reliance on Contract Manufacturers***

EBN 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 EBN's contract manufacturers supplies a higher volume of products to EBN's larger competitors. The Resulting Issuer cannot provide assurances that its contract manufacturers will continue to work with the Resulting Issuer, that they will continue to be able to operate profitably, that they will be able to meet the Resulting Issuer's manufacturing needs in a satisfactory and timely manner or that it can obtain additional or alternative manufacturers when and if needed. The availability of Resulting Issuer's contract manufacturers and the amount and timing of resources to be devoted by them to Resulting Issuer's activities is not within its control, and Resulting Issuer cannot provide assurances that will not encounter manufacturing problems that would materially harm its business. Furthermore, the Resulting Issuer's arrangements with contract manufacturers are subject to re-negotiation.

***Defects in Products***

The products of the Resulting Issuer can be complex. Accordingly, they may contain defects or errors, particularly when first introduced or as new versions are released. Further, it is possible that the Resulting Issuer may not discover such defects or errors until after a product or solution has been released and is used by its brand partners. Any defects and errors in the products could materially and adversely affect the reputation of the Resulting Issuer, result in significant costs and impair their ability to sell the products in the future. The costs incurred in correcting any product defects or errors may be substantial and could adversely affect the operating margins of the Resulting Issuer. While the products of the Resulting Issuer are independently tested, and tests are carried out frequently, defects or errors in the solutions of the Resulting Issuer may be found in the future. Further, the occurrence of errors and failures in the products or services of the Resulting Issuer could result in loss or delay in market acceptance of the products or services. Moreover, correcting any such errors, defects or failures in the products or services could require significant expenditure of capital by the Resulting Issuer.

***Dilution***

The Resulting Issuer may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Resulting Issuer that may be dilutive.

***Absence of Operating History as a Public Company***

The proposed management of the Resulting Issuer has limited experience operating public companies. To operate

effectively, the Resulting Issuer will be required to continue to implement changes in certain aspects of its business. The Resulting Issuer 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.

***Global Pandemic***

In December 2019, a novel strain of coronavirus, known as COVID-19, surfaced and has spread around the world causing significant business and social disruption. COVID-19 was declared a worldwide pandemic by the World Health Organization on March 11, 2020.

The full extent of the business disruption caused by COVID-19 is not yet known. However, COVID-19 did have a negative impact on the Moto360 Smartwatch launch in December 2019 and subsequent sales of the Moto360 Smartwatch. Furthermore, as a result of COVID-19, direct competitors to EBN reduced the prices of their smartwatches. In response, EBN did the same with the Moto360 Smartwatch, thereby impacting profit margins.

The adverse effects related to COVID-19 and other public health crises may be material in other ways to the Resulting Issuer and could have a negative impact on the Resulting Issuer's business, financial condition, and results of operations. It is not presently possible to predict the extent or durations of any such adverse effects. Such adverse effects could be rapid, unexpected and may severely impact the Resulting Issuer's ability to carry out its business plans for 2021 and 2022.

To date, a number of governments, including Canada, have declared states of emergency and have implemented restrictive measures such as travel bans, quarantine, and self-isolation. In mid-March 2020, all Canadian provinces and territories declared province- and territory-wide states of emergency, including Alberta and Ontario on March 17, 2020, and British Columbia on March 18, 2020. On September 23, 2020, in a speech from the throne, Canadian's Prime Minister, Justin Trudeau, declared Canada was experiencing its second wave of COVID-19.

COVID-19 and efforts to contain it may have broad impacts on the Resulting Issuer's supply chain or the global economy, which could have a material adverse effect on the Resulting Issuer's financial position. While governmental agencies and private sector participants are seeking to mitigate the adverse effects of COVID-19, and the medical community is seeking to develop vaccines and other treatment options, the efficacy and timing of such measures is uncertain.

***Litigation Risk***

Many aspects of the Resulting Issuer's business will require the Resulting Issuer to accept certain risks, including risks that expose the Resulting Issuer 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 Resulting Issuer prevails in any Proceedings, the Resulting Issuer could still incur significant legal expenses defending against the claims, even those without merit. Meritless claims can cause damage to the Resulting Issuer's reputation or raise concerns among its customers and existing partnerships. As a result, the Resulting Issuer may feel compelled to settle claims, including those without merit, at a significant cost. The initiation of any Proceeding against the Resulting Issuer could result in an Adverse Material Change to the Resulting Issuer.

***Loss of Personnel***

The Resulting Issuer will be dependent on several significant personnel who have experience in the industries in which EBN is active and who will make significant contributions to the business of the Resulting Issuer. Moreover, the success of the Resulting Issuer will be dependent upon the retention of these individuals and key Resulting Issuer Directors, Resulting Issuer Officers, and employees. The loss of key personnel, as well as other managerial, marketing, planning, financial, technical, and operations personnel, could result in an Adverse Material Change to the Resulting Issuer. In addition, the ability of the Resulting Issuer to continue to grow its business is dependent, to a large degree, on its ability to retain such employees. There can be no assurance that the Resulting Issuer will be able to retain or replace the services of such personnel given the competitive market for highly-skilled technical, research and development, and management personnel.

***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 Resulting Issuer, therefore, they will not have significant experience in successfully completing acquisitions. The Resulting Issuer may not have sufficient management, financial and other resources to integrate companies that the Resulting Issuer acquires or to successfully operate new businesses. Therefore, the Resulting Issuer may be unable to profitably operate an expanded company. Additionally, any new businesses that the Resulting Issuer may acquire, once integrated with the existing operations of the Resulting Issuer, may not produce expected or intended results.

***Management of Rapid Growth***

The business plan of the Resulting Issuer anticipates rapid growth and will need to continue to attract, hire and retain highly skilled and motivated officers and employees. It is possible that the Resulting Issuer may not be able to attract or retain the officers and employees necessary to manage its growth effectively. Further, the growth of the Resulting Issuer depends in part on the success of the strategic relationships of the Resulting Issuer with third parties, including relationships with suppliers, developers, designers, referral sources, resellers, payment processors, programmers and other partners. The Resulting Issuer intends to pursue additional relationships with other third parties such as shipping partners and technology providers. If there are any disagreements that cause the Resulting Issuer to lose access to products or services from a particular supplier or lead the Resulting Issuer 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 Resulting Issuer 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 Resulting Issuer, and disrupt its operations. A party may be able to circumvent the security measures of the Resulting Issuer and could misappropriate proprietary information or customer information. A security breach or hack can jeopardize the confidential nature of information the Resulting Issuer transmits over the internet and it can cause interruptions in the operations of the Resulting Issuer. To the extent that the activities of the Resulting Issuer involve the storage and transmission of proprietary information and personal financial information, security breaches or other hackings could expose the Resulting Issuer to a risk of financial loss, litigation and other liabilities. The current insurance policies of the Resulting Issuer may not protect the Resulting Issuer against such losses and liabilities. Any of these events, particularly if they result in a loss of confidence in the products of the Resulting Issuer, could result in an Adverse Material Change to the Resulting Issuer.

The Resulting Issuer 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 Resulting Issuer may be harmed and exposed to liability and loss of business.

***Suppliers***

The manufacturing activity of the Resulting Issuer depends on obtaining adequate supplies of functional components, such as displays, semi-conductors, batteries, printed circuit boards and flash memory, on a timely basis. The Resulting Issuer purchases several key components and then will license certain software used in the manufacture and operation of the products of the Resulting Issuer from a variety of sources. Some components come from sole source suppliers and the Resulting Issuer depends on these sources to meet its needs. Moreover, alternative sources are not always available. Moreover, the Resulting Issuer depends on but has limited control over, the quality and reliability of the products supplied or licensed. If the Resulting Issuer cannot supply products due to a lack of components or are unable to redesign products with other components in a timely manner, the business of the Resulting Issuer will be significantly harmed. A supplier could discontinue or restrict supplying components or licensing software to the Resulting Issuer with or without penalty. If a supplier discontinued or restricted supplying a component or licensing software, the business of the Resulting Issuer could be harmed by the resulting product manufacturing and delivery delays. In addition, if a component supplier failed to meet

the supplier requirements of the Resulting Issuer, such as product quality standards then as a direct consequence some products could be unacceptable. Moreover, the sales and operating results of the Resulting Issuer could be adversely affected. A supplier could also file for bankruptcy which would have an adverse impact on the Resulting Issuer.

The Resulting Issuer generally uses rolling forecasts based on anticipated product orders to determine component and supplier requirements. Moreover, the lead times for materials and components vary significantly and depend on factors such as specific supplier requirements, contract terms and current market demand for components or supplies. If the Resulting Issuer overestimates their component requirements, it may result in excess inventory, which would increase costs. If the Resulting Issuer underestimates the component requirements, they may have inadequate inventory, which could interrupt manufacturing operations and delay delivery of products. Further, any changes in the availability and price of parts, components and raw materials could have a significant and rapid changes to freight costs and demand. These factors can significantly increase the cost of production. Any of these occurrences could result in an Adverse Material Change to the Resulting Issuer.

***Introduction of Products in a Timely Manner***

The Resulting Issuer cannot provide assurance that it will be able to enhance their current products or develop new products at competitive prices or in a timely manner. The development and application of new technologies involve time, substantial costs and risks. The inability of the Resulting Issuer, 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 Resulting Issuer. As well, it could also result in products becoming obsolete. Further, the ability of the Resulting Issuer to compete successfully will depend in large measure on the ability to maintain on-going research and 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 Resulting Issuer with evolving industry standards, protocols, and competitive network environments.

***Tax Implications***

The Resulting Issuer 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 Resulting Issuer believes their tax estimates are reasonable, the final determination of any tax audits and litigation will not be materially different from that which is reflected in the historical income tax provisions and accruals. Further, if additional taxes be assessed as a result of an audit or Proceeding could result in an Adverse Material Change to the Resulting Issuer. This will also have an impact on the overall financial condition of the Resulting Issuer.

***International Sales***

The Resulting Issuer expects to have customers in over 70 countries and intends to continue to expand international operations in the future. However, international sales and the use of the platform in various jurisdictions is subject to risks that the Resulting Issuer does not generally face with respect to domestic sales within North America.

These risks include, but are not limited to:

- greater difficulty in enforcing contracts, including the universal terms of service and other agreements of the Resulting Issuer;
- lack of familiarity with, and increased complexity of complying with, multiple, conflicting and changing foreign Law, standards, regulatory requirements, tariffs, export controls, and other barriers;
- difficulties in achieving and monitoring ongoing compliance with multiple, conflicting, and changing international trade, customs and sanctions Laws;
- data privacy Laws, which may require that customer and consumer data be stored and processed in a designated territory;
- difficulties in managing systems integrators and technology partners;
- different technology standards;
- potentially adverse tax consequences, including the complexities of foreign value-added tax (or other tax) systems and restrictions on the repatriation of earnings;

- uncertain political and economic climates;
- difficulties in ensuring compliance with government regulations applicable to e-commerce and other services, resulting in lower adoption rates, and potentially restrictive governmental actions, including restrictions on foreign ownership;
- changes in fiscal recording requirements for retailers, restaurants and other businesses;
- lower levels of credit card usage, disruptions in the credit card industry and increased payment risks;
- fluctuations in currency exchange rates;
- reduced or uncertain protection for IP in some jurisdictions;
- new and different sources of competition;
- reduced demand for the Resulting Issuer's platform at historical price points;
- lower levels of consumer spending; and
- restricted access to and/or lower levels of use of the internet.

These factors may cause the international costs of doing business to exceed the comparable domestic costs and may also require significant management attention and financial resources. Any negative impact from the international business efforts of the Resulting Issuer could adversely effect business, results of operations, and financial condition.

***New Business Areas and Geographic Markets***

The growth strategy of the Resulting Issuer is dependent upon expanding its product and service offerings into new business areas or new geographic markets. There can be no assurance that these new business areas and geographic markets will generate the anticipated clients and revenue. In addition, any expansion into new business areas or geographic markets could expose the Resulting Issuer to new risks. These risks include the following factors and issues: compliance with the Law, changes in the regulatory or legal environment, different customer preferences or habits, adverse exchange rate fluctuations, adverse tax consequences, differing technology standards or end-user requirements and capabilities, difficulties staffing and managing foreign operations, infringement of third-party IP, the cost of localising software (including translations) or otherwise adapting its products and services for new markets, difficulties collecting accounts receivable or difficulties associated with repatriating cash generated or held abroad in a tax-efficient manner.

The Resulting Issuer expects that almost all its future revenue will be derived from its business operations outside of Canada. The execution of this business strategy is subject to a variety of risks, including operating and technical problems, regulatory uncertainties and possible delays. Operating in different international regions, could mean that revenues earned from customers may decrease in the future for a variety of reasons, including increased competition and new entrants into geographic markets in which the Resulting Issuer operates or intends to operate. Depending on the jurisdictions involved, any or all of the foregoing factors could result in an Adverse Material Change to the Resulting Issuer.

The growth and expansion of the business of the Resulting Issuer is heavily dependent upon the successful implementation of the business strategy of the Resulting Issuer. There can be no assurance that the Resulting Issuer will be successful in the implementation of its business strategy. These factors could cause the expansion of the Resulting Issuer into new business areas or geographic markets to be unsuccessful or less profitable than its existing markets or could cause the operating costs of the Resulting Issuer to increase unexpectedly or its sales to decrease, any of which could result in an Adverse Material Change to the Resulting Issuer. In addition, there can be no assurance that Law or administrative practices relating to taxation, foreign exchange or other matters in jurisdictions within which the Resulting Issuer intends to operate will not change. Any such change could result in an Adverse Material Change to the Resulting Issuer.

***Credit Risk***

Credit risk is the risk of financial loss to the Resulting Issuer if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the receivables of the Resulting Issuer from customers. The exposure of the Resulting Issuer to credit risk is influenced by the individual characteristics of each customer. Although the Resulting Issuer 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 Resulting Issuer.

***Foreign Operations***

The Resulting Issuer relies on international sales of its products in Asia and the expects to do so to a greater extent in the future as it continues to expand its business. There are a number of risks inherent in the international activities of the Resulting Issuer, 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 Resulting Issuer 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 Resulting Issuer, 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 Resulting Issuer are conducted. The Law of foreign jurisdictions will affect foreign trade, taxation and investments which may result in an Adverse Material Change to the Resulting Issuer.

If the operations of the Resulting Issuer are disrupted or the economic integrity of its contracts are threatened for unexpected reasons, business may be harmed. In the event of a dispute arising in connection with the operations of the Resulting Issuer in a foreign jurisdiction where the Resulting Issuer does conduct or will conduct its business, the Resulting Issuer 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 Resulting Issuer 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 Resulting Issuer in foreign jurisdictions could be substantially affected by factors beyond their control, any of which could result in an Adverse Material Change to the Resulting Issuer. The Resulting Issuer believes that its management and the proposed management of the Resulting Issuer are sufficiently experienced to reduce these risks.

***Operational and Financial Infrastructure***

The Resulting Issuer is subject to growth-related risks, capacity constraints and pressure on its internal systems and controls. As well, control and monitoring of marketing activities of the sales agents of the Resulting Issuer in other jurisdictions. The ability of the Resulting Issuer 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 Resulting Issuer intends to expand its employee base after consummation of the Proposed Qualifying Transaction. This expansion may require the Resulting Issuer 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 Resulting Issuer.

***Consumer Demand***

The revenues of the Resulting Issuer are dependent on the overall macro-economic environment. Current and future conditions in the domestic and global economies remain uncertain. Accordingly, adverse developments in the macro-economic environment could substantially reduce the funds spent on the products and services offered by the Resulting Issuer and may result in an Adverse Material Change to the Resulting Issuer.

The demand for the products of the Resulting Issuer is influenced by general economic and consumer trends beyond the control of the Resulting Issuer. There can be no assurance that the business and corresponding financial performance of the Resulting Issuer will not be adversely affected by general economic or consumer trends. In particular, global economic conditions are still tight, and if such conditions continue, recur or worsen, there can be no assurance that they will not result in an Adverse Material Change to the Resulting Issuer. Major health issues and pandemics, such as the novel strain of coronavirus COVID-19, may adversely affect global and local economies and consumer demand. Given the ongoing and dynamic circumstances of the COVID-19 pandemic, the extent to which it will impact consumer demand is uncertain, and consumer demand may be negatively impacted throughout 2020 and beyond.

***Reliance on Collaborative Partners***

The Resulting Issuer relies on dealer relationships, and other collaborative arrangements to provide services and to develop and commercialize some of its products or services. There can be no assurance that the Resulting Issuer will be able to negotiate acceptable collaborative arrangements and that such collaborative arrangements will be successful or that the Resulting Issuer would not be required to relinquish certain material rights to its products or services. In addition, there can be no assurance that the partners of the Resulting Issuer will not pursue alternative technologies or develop alternative products or services either on their own or in collaboration with others, including the competitors of the Resulting Issuer. To the extent that the Resulting Issuer succeeds in entering into collaborative arrangements, it will be dependent on the efforts of third parties for the continued development of certain services or products.

***Additional Risks Relating to Doing Business Internationally***

The Resulting Issuer can be subjected to general risks which are associated with doing business in international markets. The Resulting Issuer has been involved with international markets such as China, Canada, USA, Mexico, United Kingdom, Netherlands, Spain, France, Germany, Italy, Belgium, Luxembourg, Sweden, Denmark, India, Russia and Australia. There are several factors such as legal and regulatory compliance, weakened economic conditions in any of the international jurisdictions in which the Resulting Issuer does or will do business, and has or will have projects which could adversely affect such expansion and growth.

Additionally, the entry of the Resulting Issuer into new international jurisdictions requires management attention and financial resources that would otherwise be spent on other parts of the business. Some of the jurisdictions in which the Resulting Issuer sells or will sell products, or otherwise has or will have an international presence are to some degree subject to political, economic, or social instability. Further, international business operations expose the Resulting Issuer to risks and expenses inherent in operating or selling products in foreign jurisdictions, and developing and emerging markets in particular, where these risks may be heightened.

In addition to the risks mentioned elsewhere, these risks and expenses could result in an Adverse Material Change to the Resulting Issuer, and include without limitation:

- adverse currency rate fluctuations;
- risks associated with complying with the Laws of the jurisdictions in which the products of the Resulting Issuer are sold, and requirements to apply for and obtain licenses, permits, or other approvals and the delays associated with obtaining such licenses, permits or other approvals;
- multiple, changing, and often inconsistent enforcement of the Law;
- risks associated with reliance on international agents and representatives, including the possible failure of such agents and representatives to appropriately understand, represent and effectively market the products of the Resulting Issuer;
- the imposition of additional foreign governmental controls or regulations, new or enhanced trade restrictions or non-tariff barriers to trade, or restrictions on the activities of foreign agents, representatives, and distributors;
- increases in taxes, tariffs, customs and duties, or costs associated with compliance with import and export licensing and other compliance requirements;
- the imposition of restrictions on trade, currency conversion or the transfer of funds or limitations on the ability of the Resulting Issuer to repatriate non-Canadian earnings in a tax effective manner;
- downward pricing pressure on our products in the international markets, due to competitive factors, or otherwise;
- Law and business practices favouring local companies;
- expropriation and nationalization or renegotiation or nullification of necessary licenses, approvals, permits, and contracts;
- political, social or economic unrest or instability;
- greater risk on credit terms, longer payment cycles and difficulties in enforcing agreements in foreign jurisdictions;

- collecting receivables through certain foreign legal systems;
- difficulties in enforcing or defending IP; and
- the effect of disruptions caused by severe weather, natural disasters, outbreak of disease or other events that make travel to a particular region less attractive or more difficult.

Further, governments in certain foreign jurisdictions intervene in their economies, sometimes frequently and occasionally make significant changes in policies and regulations. The operations of the Resulting Issuer may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on doing business, price controls, export controls, currency remittance, importation of product and supplies, income and other taxes, royalties, the repatriation of profits, expropriation of property, foreign investment, maintenance of concessions, licenses, approvals and permits, environmental matters, land use, land claims of local people, water use and workplace safety. Furthermore, some of the operations and sales of the Resulting Issuer are conducted in parts of the world that experience illegal sale practices or corruption or are operated under legal systems susceptible to undue influences on some degree. Although the Resulting Issuer has policies and procedures in place that are designed to promote legal and regulatory compliance, the employees, business partners and consultants of the Resulting Issuer could take actions that violate anti-corruption Law. Any violations of this Law, or allegations of such violations, could result in an Adverse Material Change to the Resulting Issuer.

The international efforts of the Resulting Issuer may not produce desired levels of sales. Furthermore, the experience of the Resulting Issuer with selling products in its current international markets may not be relevant or may not necessarily translate into favourable results if it sells in other international markets. If and when the Resulting Issuer enters into new markets in the future, it may experience different competitive conditions. The sales into new international markets may take longer to develop and reach expected sales and profit levels, or may never do so, thereby affecting the overall growth and profitability of the Resulting Issuer. To build brand awareness in these new markets, the Resulting Issuer may need to make greater investments in legal compliance, advertising and promotional activity than originally planned, which could negatively impact the expected profitability of sales in those markets. These or one or more of the other factors listed above may harm the business, results, of operations, or financial condition of the Resulting Issuer. Any material decrease in our international sales or profitability could also adversely impact the overall business, results of operations or financial condition of the Resulting Issuer.

The Resulting Issuer will continue to monitor developments and policies in the emerging markets in which it will operate and assess the impact thereof to its operations. However, developments cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Resulting Issuer.

***User Data and Cybersecurity***

The Resulting Issuer may require the registration of its users before accessing its products or services or certain features of its products or services and it may be subject to increased legislation and regulations on the collection, storage, retention, transmission and use of user data that is collected. The efforts of the Resulting Issuer to protect the personal information of its users may be unsuccessful due to the actions of third parties, software bugs or technical malfunctions, employee error or malfeasance, or other factors. In addition, third parties may attempt to fraudulently induce employees or users to disclose information in order to gain access to the data of the Resulting Issuer or its users. If any of these events occur, users' information could be accessed or disclosed improperly. Any incidents involving the unauthorized access to or improper use of the information of users or incidents involving violation of the terms of service or policies of the Resulting Issuer, could damage the reputation and brand of the Resulting Issuer and diminish its competitive position. In addition, the affected users or governmental authorities could initiate legal or regulatory action against the Resulting Issuer in connection with such incidents. Moreover, this could cause the Resulting Issuer to incur significant expense and liability or result in orders or consent decrees forcing the Resulting Issuer to modify its business practices and remediate the effects of any such incidents of unauthorized access or use. Any of these events could result in an Adverse Material Change to the Resulting Issuer. The costs related to cyber security or other security threats or disruptions may not be fully insured or indemnified by other means. If any of these events were to occur then it could adversely affect the internal operations, the services to customers, loss of competitive advantages derived from its research and development efforts, early obsolescence of products and services, future financial results, reputation, or share price. The current insurance policies of the Resulting Issuer may not protect the Resulting Issuer against all such losses and liabilities. Any of these events, particularly if they result in a loss of confidence in the products of the Resulting Issuer, could result in an Adverse Material Change to the Resulting Issuer.

***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.

***Insurance Risks***

The Resulting Issuer 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 Resulting Issuer may also elect not to insure against certain liabilities due to high premium costs or for other reasons. Furthermore, although the Resulting Issuer 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 Resulting Issuer. If the Resulting Issuer were to suffer an uninsured loss, its business, financial condition, and results of operations could result in an Adverse Material Change to the Resulting Issuer.

**Risks Related to the Offering and Proposed Qualifying Transaction**

***Market for Securities***

There is currently no market through which the Subscription Receipts may be sold, and Purchasers may not be able to resell Subscription Receipts. The Subscription Receipts will not be listed on any exchange and there can be no assurance that an active trading market will develop for the Subscription Receipts after the Offering or, if developed, that such a market will be sustained at the offering price. War, acts of terrorism, spread of infectious diseases, pandemics or other public health issues, recessions, or other events may also lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

***Failure to Complete the Proposed Qualifying Transaction***

Completion of the Proposed Qualifying Transaction is subject to numerous conditions to Closing, including, but not limited to, the following: (a) receipt of Shareholder approval of the Consolidation; (b) receipt of EBN Shareholder approval of the EBN Consolidation and Amalgamation; and (c) receipt of all necessary regulatory approvals, including TSXV acceptance.

If a Termination Event occurs, then the Subscription Receipts will only represent the right of a Receiptholder to receive the full Offering Price of the Subscription Receipts plus a pro rata share of any interest earned on the Escrowed Funds. In that case, the total return that a Receiptholder would be entitled to receive would be limited to the pro rata share of the Receiptholder of interest earned on the Offering Price for the Subscription Receipts of such Receiptholder. The Receiptholder would not be entitled to participate in any growth in the trading price of the Resulting Issuer Shares. Further, the Receiptholder would be restricted from using the funds devoted to the acquisition of the Subscription Receipts for any other investment opportunities until the Escrowed Funds are returned to the Receiptholder. If the consummation of the Proposed Qualifying Transaction does not occur as contemplated, the Corporation would suffer adverse consequences, including the loss of investor confidence.

***Failure to Realize Anticipated Benefits of the Proposed Qualifying Transaction***

The Corporation is proposing to consummate the Proposed Qualifying Transaction to enter into the consumer products industry. EBN wishes to take advantage of certain growth opportunities. Achieving the benefits of the Proposed Qualifying Transaction and future acquisitions that the Resulting Issuer may complete depends in part on successfully consolidating the two companies in a timely and efficient manner. The integration process may result in the loss of key employees and the disruption of ongoing business, customer, and employee relationships that may adversely affect the ability of the resulting Issuer to achieve the anticipated benefits of the Proposed Qualifying Transaction and future acquisitions.

***Unexpected Costs or Liabilities Related to the Proposed Qualifying Transaction***

Although the Corporation conducted what it believed to be a prudent and thorough level of investigation in connection with the Proposed Qualifying Transaction, an unavoidable level of risk remains regarding any undisclosed or unknown liabilities of, or issues concerning, EBN and the EBN subsidiaries. Following the Proposed Qualifying Transaction, the Resulting Issuer may discover that it has acquired substantial undisclosed liabilities. The existence of undisclosed liabilities or the inability of the Resulting Issuer to retain existing EBN customers or employees could result in an Adverse Material Change to the Resulting Issuer.

***Management and Conflicts of Interest***

The ability of the Corporation to successfully consummate the Proposed Qualifying Transaction is dependent on the performance of the Directors and Officers, who only devote a portion of their time to the business and affairs of the Corporation and are, or will be, engaged in other projects or businesses. The current Directors and Officers may also serve as directors or officers of other companies which may compete with the businesses or assets targeted in the Proposed Qualifying Transaction. Accordingly, situations may arise where the Directors and Officers are in a position of conflict with the Corporation.

## INFORMATION ABOUT THE RESULTING ISSUER

The following information is presented assuming the consummation of the Proposed Qualifying Transaction and Offering.

### CORPORATE STRUCTURE

#### Name, Address and Incorporation

The full corporate name of the Resulting Issuer will be "CE Brands Inc." The Resulting Issuer will continue to be incorporated and organized under the ABCA. The address of the head office of the Resulting Issuer will be 301, 1321 Blanshard Street, Victoria, BC V8W 0B6, and the address of the registered office of the Resulting Issuer will be 1400, 350 – 7th Avenue SW, Calgary, AB T2P 3N9.

#### Intercorporate Relationships

The following table discloses the intercorporate relationships that will exist between the Resulting Issuer and its Subsidiaries.

| Company | Jurisdiction | Ownership |
|---|---|---|
| CE Brands Inc. (i.e., the Resulting Issuer) | Alberta | N/A |
| eBuyNow eCommerce Ltd. (i.e., EBN) | British Columbia | N/A |
| eBN Holdings Ltd. | British Columbia | 100% EBN |
| eBuyNow eCommerce Limited | United Kingdom | 100% EBN |
| eBuyNow | Ohio | 100% EBN |
| eBuyNow eCommerce B.V. | Netherlands | 100% EBN |
| PerimiterSafe Holdings Limited | British Columbia | 100% EBN |
| PerimiterSafe Home Monitoring Limited | British Columbia | 100% PerimiterSafe Holdings Limited |
| eBN eCommerce Private Limited | India | 99% EBN; 1% eBN Holdings Ltd. |
| EBUYNOW ECOMMERCE, S. DE R.L. DE C.V. | Mexico | 99% EBN; 1% eBN Holdings Ltd |
| eBuyNow eCommerce Limited (i.e., Cinatic) | Hong Kong | 100% EBN |
| Premietech Limited | Hong Kong | 100% Cinatic |
| Cinatic (Shenzhen Technology Co., Ltd. | China | 100% Cinatic |
| Premielink Company Limited | Vietnam | 100% Cinatic |

### DESCRIPTION OF THE BUSINESS

The business of EBN will be the business of the Resulting Issuer. See *"Information about EBN – Description of the Business".*

### GENERAL DEVELOPMENT OF THE BUSINESS

#### History

For a description of the general development of the business of the Corporation since its incorporation, see *"Information about the Corporation – General Development of the Business – History".* For a description of the general development of the business of EBN over its last three completed financial years (i.e., March 31, 2020, March 31, 2019, and March 31, 2018), and the subsequent period to the date of this prospectus, see *"Information about EBN – General Development of the Business – History".*

***Material Restructuring Transactions***

For a description of any material restructuring transaction involving the Corporation or Subsidiary since its incorporation, see *"Information about the Corporation – General Development of the Business – Material Restructuring Transactions".* For a description of any material restructuring transaction involving EBN or an EBN Subsidiary within the two most recently completed financial years of EBN (i.e., March 31, 2020, and March 31, 2019) or the current financial year of EBN, see *"Information about EBN – General Development of the Business – Material Restructuring Transactions".*

***Bankruptcy, Receivership, or Similar Proceedings***

For a description of any bankruptcy, receivership, or similar proceeding involving the Corporation or Subsidiary since its incorporation, see *"Information about the Corporation – General Development of the Business – Bankruptcy, Receivership, or Similar Proceedings".* For a description of any bankruptcy, receivership, or similar proceeding involving EBN or an EBN Subsidiary within the two most recently completed financial years of EBN (i.e., March 31, 2020, and March 31, 2019) or the current financial year of EBN, see *"Information about EBN – General Development of the Business – Bankruptcy, Receivership, or Similar Proceeding".*

**SELECTED FINANCIAL INFORMATION**

The following table summarizes certain pro forma financial information of the Resulting Issuer as at November 30, 2020, after giving effect to the Offering and the Proposed Qualifying Transaction. This financial information was derived from the Pro Forma Financial Statements and should be read together with the Pro Forma Financial Statements, copies of which are attached as Schedule B.

| Item | Assuming Offering | Assuming Offering and Over-Allotment Option |
|---|---:|---:|
| Total assets | $27,427,575 | $29,497,575 |
| Total liabilities | $15,260,372 | $15,260,372 |

As at March 31, 2021, EBN had a working capital deficit including current long-term debt obligations of $10,701,930 and a working capital deficit excluding current long-term debt obligations of $3,061,278. Its monthly "burn rate" (i.e., its average cash expenses excluding costs directly attributable to product sales), is approximately $525,000. The Corporation and EBN believe the Resulting Issuer will have sufficient funds under the Offering to satisfy its burn rate and sustain its operations for the next 12 months, at a minimum.

**AUTHORIZED SHARE CAPITAL**

The authorized share capital of the Resulting Issuer will consist of an unlimited number of common shares (i.e., the Resulting Issuer shares) and an unlimited number of preferred shares, issuable in series.

**Resulting Issuer Shares**

Each Resulting Issuer Share will entitle the holder to: (a) one vote at all meetings of Resulting Issuer Shareholders (and written actions in lieu of meetings); (b) subject to the rights, privileges, restrictions, and conditions attaching to any other class or series of shares of the Resulting Issuer, receive dividends if, as, and when declared by the Resulting Issuer Board; and (c) subject to the rights, privileges, restrictions, and conditions attaching to any other class or series of shares of the Resulting Issuer, receive its proportionate share of the remaining property of the Resulting Issuer upon a liquidation, dissolution, or wind-up of the Resulting Issuer, whether voluntary or involuntary.

**Preferred Shares**

The Resulting Issuer Board will have the power to create different series of preferred shares and determine the rights, privileges, restrictions, and conditions attaching to the preferred shares of each series, including, without limiting the generality of the foregoing, dividend and liquidation preferences over any other class or series of shares of the Resulting Issuer.

**DIVIDENDS OR DISTRIBUTIONS**

There are no restrictions that could prevent the Resulting Issuer from paying cash dividends or distributions on the Resulting Issuer Shares, other than the restrictions in the ABCA, which provide that the Resulting Issuer must not declare or pay a dividend if there are reasonable grounds for believing that the Resulting Issuer is, or would after the payment be, unable to pay its liabilities as they become due, or the realizable value of the assets of the Resulting Issuer would thereby be less than the aggregate of its liabilities and stated capital of all classes.

For a description of any cash dividends or distributions declared by the Corporation on the Shares since its incorporation, see *"Information about the Corporation – Dividends or Distributions"*. For a description of any cash dividends or distributions declared by EBN on the EBN Shares within the three most recently completed financial years of EBN (i.e., March 31, 2020, March 31, 2019, and March 31, 2018) or the current financial year of EBN, see *"Information about EBN – Dividends or Distributions"*.

**CONSOLIDATED CAPITALIZATION**

The following table discloses the *pro forma* consolidated capitalization of the Resulting Issuer, on a consolidated basis, as at the date of this prospectus.

| Share/Loan Capital | Authorized Amount | Corporation – Outstanding immediately prior to completion of the Proposed Qualifying Transaction and Offering | EBN – Outstanding immediately prior to completion of the Proposed Qualifying Transaction and Offering | Outstanding upon completion of the Proposed Qualifying Transaction and Offering | Outstanding upon completion of the Proposed Qualifying Transaction and Offering after giving effect to the Over-Allotment Option |
|---|---|---|---|---|---|
| Resulting Issuer Shares[(1)] | Unlimited | 414,458 | 18,141,970 | 22,170,886 | 22,713,055 |
| Resulting Issuer IPO Options[(2)] | N/A | 24,096 | Nil | 24,096 | 24,096 |
| Agents' Options[(3)] | N/A | Nil | Nil | 289,157 | 332,531 |
| Resulting Issuer Options[(4)] | N/A | 41,446 | 1,395,000 | 1,436,446 | 1,436,446 |
| Resulting Issuer Warrants[(5)] | N/A | Nil | 3,230,342 | 6,844,800 | 7,386,969 |
| Resulting Issuer Convertible Loan (USD)[(6)] | N/A | $0.00 | US$1,388,888.00 | US$1,388,888.00 | US$1,388,888.00 |
| Resulting Issuer Convertible Loans (CAD)[(7)] | N/A | $0.00 | $1,174,785.99 | $1,174,784.99 | $1,174,784.99 |

| Share/Loan Capital | Authorized Amount | Corporation – Outstanding immediately prior to completion of the Proposed Qualifying Transaction and Offering | EBN – Outstanding immediately prior to completion of the Proposed Qualifying Transaction and Offering | Outstanding upon completion of the Proposed Qualifying Transaction and Offering | Outstanding upon completion of the Proposed Qualifying Transaction and Offering after giving effect to the Over-Allotment Option |
|---|---|---|---|---|---|
| EBN Secured Debentures(8) | N/A | $0.00 | $3,425,040.00 | Nil | Nil |
| EBN Secured Note(9) | N/A | $0.00 | $320,254.02 | Nil | Nil |
| Cinatic Shareholder Loans(10) | N/A | $0.00 | $249,000.00 | Nil | Nil |
| EBN Loans (CAD)(11) | N/A | $0.00 | $425,486.68 | $115,730.68 | $115,730.68 |
| EBN Credit Facility(12) | N/A | Nil | US$500,000.00 | Nil | Nil |
| Remittance of future account receivables under C6 Agreement(13) | N/A | Nil | $650,000.00 | $650,000.00 | $650,000.00 |

Notes:

(1) For a description of the terms of the Resulting Issuer Shares, see *"Information about the Resulting Issuer – Authorized Share Capital – Resulting Issuer Shares"*.

(2) Each such Resulting Issuer IPO Option will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $2.075, for a period of 24 months following the date on which the Shares began trading on the TSXV.

(3) Each such Agents' Option will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $4.15, for a period of 12 months following the satisfaction of the Escrow Release Conditions.

(4) This includes: (a) 180,000 Resulting Issuer Options, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $0.05, for a period of 60 months following the date on which the corresponding EBN Share was granted; (b) 881,000 Resulting Issuer Options, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $1.875, for a period of 60 months following the date on which the corresponding EBN Share was granted; (c) 41,446 Resulting Issuer Options, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $2.075, for a period of 60 months following the date on which the Shares began trading on the TSXV; (d) 150,000 Resulting Issuer Options, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $2.50, for a period of 60 months following the date on which the corresponding EBN Share was granted; and (e) 184,000 Resulting Issuer Options, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $3.75, for a period of 60 months following the date on which the corresponding EBN Share was granted.

(5) This includes: (a) 2,258,715 Resulting Issuer Warrants, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $1.875, for a period ranging from 24 months to 36 months following the date on which the corresponding EBN Warrant was issued; (b) 40,000 Resulting Issuer Warrants, each of which

will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $2.50, for a period ranging from 12 months to 24 months following the date on which the corresponding EBN Warrant was issued; (c) 931,627 Resulting Issuer Warrants, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $3.75, for a period ranging from 12 months to 24 months following the date on which the corresponding EBN Warrant was issued; and (d) 3,614,458 Resulting Issuer Warrants assuming the completion of the Offering and 4,156,627 Resulting Issuer Warrants assuming the completion of the Offering and the exercise of the Over-Allotment Option, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $7.50, for a period of 24 months following the date on which the Resulting Issuer Warrant was issued.

(6) The Resulting Issuer Convertible Loan (USD) will be convertible into Resulting Issuer Shares, at a conversion price of $3.113 per Resulting Issuer Share, for a period of 12 months following the date on which the EBN Convertible Loan (USD) was issued.

(7) Each Resulting Issuer Convertible Loan (CAD) will be convertible into Resulting Issuer Shares, at a conversion price of $3.75 per Resulting Issuer Share, for a period of 24 months following the date on which the corresponding EBN Convertible Loan (CAD) was issued.

(8) Represents the unpaid principal and accrued and unpaid interest under the EBN Secured Debentures as at the Closing Date. Promptly after the Closing Date, the Resulting Issuer will use a portion of the proceeds of the Offering to repay all of the unpaid principal and accrued and unpaid interest under the EBN Secured Debentures. Promptly after the Closing Date, the Resulting Issuer will use $3,425,040 of the proceeds of the Offering to repay all of the unpaid principal and accrued and unpaid interest under the EBN Secured Debentures. See "*Information about the Offering – Use of Proceeds*".

(9) The EBN Secured Note bears interest at the rate of 12% per annum and mature ten months after the date on which the EBN Secured Note was issued. Promptly after the Closing Date, the Resulting Issuer will use a portion of the proceeds of the Offering to repay all of the unpaid principal and accrued and unpaid interest under the EBN Secured Notes. Promptly after the Closing Date, the Resulting Issuer will use a portion of the proceeds of the Offering to repay all of the unpaid principal and accrued and unpaid interest under the EBN Secured Notes. See "*Information about the Offering – Use of Proceeds*".

(10) The Cinatic Shareholder Loans are loans from three former shareholders of Cinatic to EBN in the aggregate principal amount of $249,000, which are non-interest bearing and mature upon the issuance of the Final TSXV Bulletin. Promptly after the Closing Date, the Resulting Issuer will use a portion of the proceeds of the Offering to repay all of the unpaid principal and accrued and unpaid interest under the Cinatic Shareholder Loans. See "*Information about the Offering – Use of Proceeds*".

(11) Each EBN Loan (CAD) bears interest at the rate of between 4.5% per annum and matures 24 months following the date on which it was issued (i.e., between February 15, 2023, and March 8, 2023). Promptly after the Closing Date, the Resulting Issuer will use a portion of the proceeds of the Offering to repay a portion of the unpaid principal and accrued and unpaid interest under the EBN Loans (CAD). See "*Information about the Offering – Use of Proceeds*".

(12) For information about the terms of the EBN Credit Facility, see *"Information about the Offering – Use of Proceeds – Other Sources of Funding"*. Promptly after the Closing Date, the Resulting Issuer will use a portion of the proceeds of the Offering to repay all of the unpaid principal and accrued and unpaid interest under the EBN Credit Facility. See "*Information about the Offering – Use of Proceeds*".

(12) The C6 Agreement refers to an Agreement for the Purchase and Sale of Future Receipts dated March 1, 2021, between eBuyNow and C6 Capital Funding, LLC, under which eBuyNow is required to remit future accounts receivable to C6 Capital Funding, LLC. The proceeds from the sale of the accounts receivable under the C6 Agreement were used for working capital purposes.

The following table discloses the *pro forma* fully-diluted common share capital of the Resulting Issuer, on a consolidated basis, as at the date of this prospectus.

| Type of Resulting Issuer Share or security convertible into or exchangeable for a Resulting Issuer Share | Outstanding upon completion of the Proposed Qualifying Transaction and Offering | | Outstanding upon completion of the Proposed Qualifying Transaction and Offering after giving effect to the Over-Allotment Option | |
|---|---|---|---|---|
| | Number | Percentage[1] | Number | Percentage[1] |
| Resulting Issuer Shares issued to former Shareholders pursuant to the Consolidation | 414,458 | 1.31% | 414,458 | 1.26% |
| Resulting Issuer Shares issued to former EBN Shareholders pursuant to the Amalgamation | 18,141,970 | 57.22% | 18,141,970 | 55.26% |
| Resulting Issuer Shares issued to Purchasers pursuant to the Offering | 3,614,458 | 11.40% | 4,156,626 | 12.66% |
| Resulting Issuer IPO Options granted to the IPO Agent pursuant to the Consolidation[2] | 24,096 | 0.08% | 24,096 | 0.07% |
| Agents' Options granted to the Agents pursuant to the Offering[3] | 289,157 | 0.91% | 332,531 | 1.01% |
| Resulting Issuer Options granted to former Optionholders pursuant to the Consolidation[4] | 41,446 | 0.13% | 41,446 | 0.13% |
| Resulting Issuer Options granted to former EBN Optionholders pursuant to the Option, Warrant and Note Exchange[5] | 1,395,000 | 4.40% | 1,395,000 | 4.25% |
| Resulting Issuer Warrants issued to former EBN Warrantholders pursuant to the Option, Warrant and Note Exchange[6] | 3,230,342 | 10.19% | 3,230,342 | 9.84% |
| Resulting Issuer Warrants issued to Purchasers pursuant to the Offering[7] | 3,614,458 | 12.26% | 4,156,627 | 13.70% |
| Resulting Issuer Convertible Loan (USD) issued pursuant to the Option, Warrant and Note Exchange[8] | 624,721 | 1.97% | 624,721 | 1.90% |
| Resulting Issuer Convertible Loans (CAD) issued to the founders of EBN pursuant to the Option, Warrant and Note Exchange[9] | 313,277 | 0.99% | 313,277 | 0.95% |
| **Total** | **31,703,383** | **100.00%** | **32,831,094** | **100.00%** |

Notes:

(1) On a fully-diluted basis. Percentages may not reconcile due to rounding.

(2) Each such Resulting Issuer IPO Option will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $2.075, for a period of 24 months following the date on which the Shares began trading on the TSXV.

(3) Each such Agents' Option will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $4.15, for a period of 12 months following the satisfaction of the Escrow Release Conditions.

(4) Each such Resulting Issuer Option will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $2.075, for a period of 60 months following the date on which the Shares began trading on the TSXV.

(5) This includes: (a) 180,000 Resulting Issuer Options, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $0.05, for a period of 60 months following the date on which the corresponding EBN Share was granted; (b) 881,000 Resulting Issuer Options, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $1.875, for a period of 60 months following the date on which the corresponding EBN Share was granted; (c) 150,000 Resulting Issuer Options, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $2.50, for a period of 60 months following the date on which the corresponding EBN Share was granted; and (d) 184,000 Resulting Issuer Options, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $3.75, for a period of 60 months following the date on which the corresponding EBN Share was granted.

(6) This includes: (a) 2,258,715 Resulting Issuer Warrants, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $1.875, for a period ranging from 24 months to 36 months following the date on which the corresponding EBN Warrant was issued; (b) 40,000 Resulting Issuer Warrants, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $2.50, for a period ranging from 12 months to 24 months following the date on which the corresponding EBN Warrant was issued; and (c) 931,627 Resulting Issuer Warrants, each of which will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $3.75, for a period ranging from 12 months to 24 months following the date on which the corresponding EBN Warrant was issued.

(7) Each such Resulting Issuer Warrant will entitle the holder to purchase one Resulting Issuer Share, at a purchase price of $7.50, for a period of 24 months following the date on which the Resulting Issuer Warrant was issued.

(8) The Resulting Issuer Convertible Loan (USD) will be convertible into Resulting Issuer Shares, at a conversion price of $3.113 per Resulting Issuer Share, for a period of 12 months following the date on which the EBN Convertible Loan (USD) was issued.

(9) Each Resulting Issuer Convertible Loan (CAD) will be convertible into Resulting Issuer Shares, at a conversion price of $3.75 per Resulting Issuer Share, for a period of 24 months following the date on which the corresponding EBN Convertible Loan (CAD) was issued.

**PRIOR SALES**

For disclosure concerning the Shares sold since incorporation, see *"Information about the Corporation – Prior Sales"*. For disclosure concerning the EBN Shares, EBN Warrants, and EBN Convertible Debts sold during the 12-month period before the date of this prospectus, see *"Information about EBN – Prior Sales"*.

**ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER**

**CPC Escrow Agreement**

All of the Resulting Issuer Shares that the Resulting Issuer issued before its IPO will be held in escrow pursuant to Policy 2.4 and the CPC Escrow Agreement. The following securities are also subject to escrow in accordance with the terms of the CPC

Escrow Agreement:

(a) any securities of Resulting Issuer that Resulting Issuer issues after the IPO, but before issuance of the Final TSXV Bulletin, at a price of less than $0.10 per Resulting Issuer Share;

(b) any securities of Resulting Issuer that Resulting Issuer issues after the IPO, but before issuance of the Final TSXV Bulletin, to a Non-Arm's Length Party (as determined post-IPO);

(c) any securities of Resulting Issuer that a Control Person acquires in the secondary market before the completion of a Qualifying Transaction; and

(d) any securities of Resulting Issuer that a member of the Aggregate Pro Group acquires before the completion of a Qualifying Transaction.

Subject to certain limited exceptions, the CPC Escrow Agreement prohibits a Resulting Issuer Shareholder from selling, transferring, assigning, entering into a derivative transaction concerning, or otherwise dealing in any way with, any escrowed Resulting Issuer Shares unless the Resulting Issuer Shareholder obtains the prior written consent of the TSXV. A Resulting Issuer Shareholder may pledge, mortgage, or charge escrowed Resulting Issuer Shares to a financial institution as collateral for a loan on the condition that the Principal does not transfer or deliver any escrowed Resulting Issuer Shares or any share certificates or other evidence of escrowed Resulting Issuer Shares to the financial institution for this purpose.

If, following the completion of the Proposed Qualifying Transaction, the Resulting Issuer qualifies as a Tier 2 issuer on the TSXV, 10% of the escrowed Resulting Issuer Shares will be released from escrow on the issuance of the Final TSXV Bulletin and an additional 15% will be released on the dates six months, 12 months, 18 months, 24 months, 30 months, and 36 months following the issuance of the Final TSXV Bulletin. If the Resulting Issuer qualifies as a Tier 1 issuer on the TSXV, the CPC Escrow Agreement provides that 25% of the escrowed Resulting Issuer Shares will be released from escrow on the issuance of the Final TSXV Bulletin and an additional 25% will be released on the dates six months, 12 months, and 18 months following the issuance of the Final TSXV Bulletin. The Corporation expects to qualify as a Tier 2 issuer.

The CPC Escrow Agreement irrevocably authorizes and directs the Escrow Agent to: (a) immediately cancel all escrowed Resulting Issuer Shares upon the issuance of a TSXV bulletin delisting Resulting Issuer from the TSXV; or (b) where Resulting Issuer is moved to NEX, the market on which former TSXV and Toronto Stock Exchange issuers that do not meet TSXV requirements for Tier 2 Issuers may continue to trade, immediately cancel the number of escrowed Resulting Issuer Shares held by Non-Arm's Length Parties as determined by Resulting Issuer Shareholders at a special meeting of the Resulting Issuer Shareholders. The CPC Escrow Agreement provides an irrevocable authorization and direction to the Escrow Agent to cancel all escrowed Resulting Issuer Shares on a date that is ten years from the date the TSXV issues a TSXV bulletin delisting the CPC.

The following table discloses the number of Resulting Issuer Shares that will be held, to the knowledge of the Corporation and EBN, in escrow pursuant to Policy 2.4 and the CPC Escrow Agreement and the percentage that number represents of the outstanding Resulting Issuer Shares (on a non-diluted basis).

| Name, Province, and Country of Residence of Resulting Issuer Shareholder | Number of Resulting Issuer Shares held in Escrow | Percentage of outstanding Resulting Issuer Shares upon completion of the Proposed Qualifying Transaction and Offering[(1)] | Percentage of outstanding Resulting Issuer Shares upon completion of the Proposed Qualifying Transaction and Offering after giving effect to the Over-Allotment Option[(1)] |
|---|---|---|---|
| Sandra Foster<br>Manitoba, Canada | 24,096 | 0.11% | 0.11% |
| David Henderson<br>Ontario, Canada | 24,096 | 0.11% | 0.11% |

| Name, Province, and Country of Residence of Resulting Issuer Shareholder | Number of Resulting Issuer Shares held in Escrow | Percentage of outstanding Resulting Issuer Shares upon completion of the Proposed Qualifying Transaction and Offering[(1)] | Percentage of outstanding Resulting Issuer Shares upon completion of the Proposed Qualifying Transaction and Offering after giving effect to the Over-Allotment Option[(1)] |
|---|---|---|---|
| Eric Holle<br>Alberta, Canada | 21,687 | 0.10% | 0.10% |
| Joanne Hruska<br>Alberta, Canada | 9,639 | 0.04% | 0.04% |
| Huxby Holdings Ltd.[(1)]<br>British Columbia, Canada | 12,048 | 0.05% | 0.05% |
| Robert Knowles<br>Alberta, Canada | 4,819 | 0.02% | 0.02% |
| Craig Latimer<br>Alberta, Canada | 9,639 | 0.04% | 0.04% |
| Bruce Mitchell<br>Ontario, Canada | 24,096 | 0.11% | 0.11% |
| Brian Prokop<br>Alberta, Canada | 24,096 | 0.11% | 0.11% |
| Craig Smith<br>Guanacaste Province, Costa Rica | 4,819 | 0.02% | 0.02% |
| Andre Sullivan<br>British Columbia, Canada | 4,819 | 0.02% | 0.02% |
| Patrick Sullivan<br>British Columbia, Canada | 4,819 | 0.02% | 0.02% |
| Connor Tobin<br>British Columbia, Canada | 4,819 | 0.02% | 0.02% |
| **Total:** | **173,492** | **0.79%** | **0.77%** |

Note:

(1) Calculated on a non-diluted basis. Percentages may not reconcile due to rounding.

**QT Escrow Agreement**

All of the Resulting Issuer Shares held by Principals of the Resulting Issuer at the date of the Final TSXV Bulletin will be held in escrow pursuant to Policy 2.4 and the QT Escrow Agreement. The following securities are also subject to escrow in accordance with the terms of the QT Escrow Agreement:

(a) any securities of the Corporation that Principals receive as a dividend or other distribution on the escrowed Resulting Issuer Shares;

(b) any securities of the Corporation that Principals receive on the exercise of a right of purchase, conversion, or exchange attaching to the escrowed Resulting Issuer Shares, including Securities received on conversion of special warrants;

(c) on a subdivision, or compulsory or automatic conversion or exchange of the escrowed Resulting Issuer Shares; or

(d) subject to certain exceptions, from a successor Issuer in a business combination.

Subject to certain limited exceptions, the QT Escrow Agreement prohibits a Principal from selling, transferring, assigning entering into a derivative transaction concerning, or otherwise dealing in any way with, any escrowed Resulting Issuer Shares. A Principal may sell, assign, or transfer escrowed Resulting Issuer Shares to incoming Resulting Issuer Directors or senior officers of the Resulting Issuer or any of its material operating Subsidiaries, and subject to TSXV acceptance, a Principal may pledge, mortgage, or charge escrowed Resulting Issuer Shares to a financial institution as collateral for a loan on the condition that the Principal does not transfer or deliver any escrowed Resulting Issuer Shares or any share certificates or other evidence of escrowed Resulting Issuer Shares to the financial institution for this purpose.

If the Resulting Issuer qualifies as a Tier 2 issuer on the TSXV, 5% of the escrowed Resulting Issuer Shares will be released from escrow on the issuance of the Final TSXV Bulletin; 5% will be released on the date six months following the issuance of the Final TSXV Bulletin; 10% will be released on the dates 12 months and 18 months following the issuance of the Final TSXV Bulletin; 15% will be released on the dates 24 months and 30 months following the issuance of the Final TSXV Bulletin; and 40% will be released on the date 36 months following the issuance of the Final TSXV Bulletin. If the Resulting Issuer qualifies as a Tier 1 issuer on the TSXV, the QT Escrow Agreement provides that 10% of the escrowed Resulting Issuer Shares will be released from escrow on the issuance of the Final TSXV Bulletin; 20% will be released on the date six months following the issuance of the Final TSXV Bulletin; 30% will be released on the date 12 months following the issuance of the Final TSXV Bulletin; and 40% will be released on the date 18 months following the issuance of the Final TSXV Bulletin. The Corporation expects to qualify as a Tier 2 issuer.

The following table discloses the number of Resulting Issuer Shares that will be held, to the knowledge of the Corporation and EBN, in escrow pursuant to Policy 2.4 and the QT Escrow Agreement and the percentage that number represents of the outstanding Resulting Issuer Shares (on a non-diluted basis).

| Name, Province, and Country of Residence of Resulting Issuer Shareholder | Number of Resulting Issuer Shares held in Escrow | Percentage of outstanding Resulting Issuer Shares upon completion of the Proposed Qualifying Transaction and Offering[(1)] | Percentage of outstanding Resulting Issuer Shares upon completion of the Proposed Qualifying Transaction and Offering after giving effect to the Over-Allotment Option[(1)] |
|---|---|---|---|
| Joanne Hruska Alberta, Canada | 9,639 | 0.04% | 0.04% |
| Kalvie Legat Alberta, Canada | 200,000 | 0.91% | 0.89% |
| Melanie Posthuma British Columbia, Canada | 723,914 | 3.29% | 3.22% |
| Hugh Tyler Rice British Columbia, Canada | 31,173 | 0.14% | 0.14% |
| Adam Rock Alberta, Canada | 31,200 | 0.14% | 0.14% |
| Craig Smith Guanacaste Province, Costa Rica | 2,400,924 | 10.93% | 10.69% |
| Stephen A. Smith Ontario, Canada | 20,000 | 0.09% | 0.09% |

| Name, Province, and Country of Residence of Resulting Issuer Shareholder | Number of Resulting Issuer Shares held in Escrow | Percentage of outstanding Resulting Issuer Shares upon completion of the Proposed Qualifying Transaction and Offering[(1)] | Percentage of outstanding Resulting Issuer Shares upon completion of the Proposed Qualifying Transaction and Offering after giving effect to the Over-Allotment Option[(1)] |
|---|---|---|---|
| Katica Viskovic<br>Hvar, Croatia | 160,000 | 0.73% | 0.71% |
| Jared Wolk<br>Alberta, Canada | 5,867 | 0.03% | 0.03% |
| Wong Wing Kiong<br>Hong Kong | 1,098,749 | 5.00% | 4.88% |
| **Total:** | **4.681,466** | **21.30%** | **20.83%** |

Note:

(1) Calculated on a non-diluted basis. Percentages may not reconcile due to rounding.

**Seed Share Resale Restrictions**

Under Policy 5.4, Resulting Issuer Shares issued under the Proposed Qualifying Transaction to former non-Principals who, after giving effect to the EBN Consolidation, acquired their EBN Shares at a deemed price below the Offering Price (i.e., $4.15) will be subject to the following hold periods:

- If the EBN Shares were issued for less than $0.05 (after giving effect to the EBN Consolidation), the Resulting Issuer Shares are subject to a Value Security Escrow Agreement.
- If the EBN Shares were issued for $1.875 (after giving effect to the EBN Consolidation), and have been held for less than one year, the Resulting Issuer Shares are subject to a four-month hold.
- If the EBN Shares were issued at $1.875 (after giving effect to the EBN Consolidation), and have been held for less than three months, the Resulting Issuer Shares are subject to a one-year hold.
- If the EBN Shares were issued at $2.75 (after giving effect to the EBN Consolidation), and have been held for less than three months, the Resulting Issuer Shares are subject to a four-month hold.
- If the EBN Shares were issued at $2.50 (after giving effect to the EBN Consolidation), and have been held for less than three months, the Resulting Issuer Shares are subject to a four-month hold.
- If the EBN Warrants were issued with an exercise price of $1.875 (after giving effect to the EBN Consolidation), and have been held for less than one year, the Resulting Issuer Shares are subject to four-month hold.
- If the EBN Warrants were issued with an exercise price of $1.875 (after giving effect to the EBN Consolidation), and have been held for less than three months, the Resulting Issuer Shares are subject to a one-year hold.
- If the EBN Options were granted with an exercise price of $1.875 (after giving effect to the EBN Consolidation), and have been held for less than one year, the Resulting Issuer Shares are subject to a four-month hold.

**PRINCIPAL SECURITYHOLDERS**

Except as disclosed in the following table, no Person or Company will beneficially own, directly or indirectly, or exercise control over direction over, Resulting Issuer Shares carrying in aggregate 10% or more of the votes attached to all the outstanding Resulting Issuer Shares (on a non-diluted basis).

| Name | Number of Outstanding Resulting Issuer Shares | Type of Ownership | Percentage of outstanding Resulting Issuer Shares upon completion of the Proposed Qualifying Transaction and Offering[(1)] | Percentage of outstanding Resulting Issuer Shares upon completion of the Proposed Qualifying Transaction and Offering after giving effect to the Over-Allotment Option[(1)] |
|---|---|---|---|---|
| Craig Smith | 2,405,743 | Registered and Beneficial Ownership | 10.95% | 10.69% |

Note:

(1) Calculated on a non-diluted basis. Percentages may not reconcile due to rounding.

**DIRECTORS AND OFFICERS**

**Name, Occupation, and Security Holding**

***Directors***

After the consummation of the Proposed Qualifying Transaction and Offering, the Resulting Issuer Directors will include the following individuals:

*Craig Smith, Chair* – Mr. Smith has been the Chair of EBN since its incorporation and is its Chief Executive Officer. He has 25 years of direct experience in the areas of consumer electronics, licensing, and distribution. Mr. Smith has cultivated an extensive global network of relationships in brand licensing and contract manufacturing, securing brand-licensing agreements with companies such as Microsoft, Skype, Samsung, Sony, Motorola, and Kodak. With hands-on experience of living in China, Europe, and North America, Mr. Smith is well-versed in international trade and regulations. Prior to EBN, Mr. Smith previously launched successful direct to consumer electronics brands in the gaming and video industry and is a key driving force behind the product and brand strategy of EBN. He holds a MSc in Aeronautical Engineering from Kingston University.

*Joanne Hruska* – Ms. Hruska has over 25 years of finance experience. She is currently the Capital Markets and ESG Strategist at Integral Wealth Securities Limited, an IIROC-licensed firm, and is on the board of Vitreous Glass Inc. (TSXV:VCI), a waste glass recycling company that is part of the process of turning empty bottles into fibreglass insulation. Previously, she was an award-winning investment manager with Aston Hill Financial Inc., a publicly-traded firm with over $1 billion in assets under management. Ms. Hruska was previously a Director of Blackpearl Resources Inc. (TSX:PXX), an energy company, where she sat on the Audit and Reserves Committee. She also held positions with Plexus Technology Corporation (Director), a technology company, Corptex Systems Ltd. (Advisory Board Member), also a technology company, and was a director of four different reporting issuers that were part of the Catapult/Aston Hill funds. Between 2012 and 2018 Joanne served on the boards of the Glencoe Club and Glencoe Golf & Country Club, as well as the Calgary Ladies Golf Association between 2015 and 2016. Ms. Hruska graduated from the University of Calgary with a major in Finance and has both the Chartered Financial Analyst and the Institute of Corporate Directors, Director designations.

*Hugh Tyler Rice* – Mr. Rice is a Founding Partner of Rice & Company LLP, an accounting firm that focuses on boutique advisory and accounting services to start-ups, high-growth organizations, and entities operating in multiple jurisdictions both domestically and abroad. He also served as a Director and the President and Chief Executive Officer of Cassiar Gold Corp. (TSXV:GLDC), a mining company, from July 2013 to December 2020, and currently is its Senior Advisor of Corporate Affairs. He is also a Director and/or Treasurer of the following organizations: Community Futures Central Kootenays, West Kootenay Boundary Community Investment Co-op, Chamber of Mines of Eastern B.C., the Columbia Institute for Renewable Energy. In addition to being a CPA, CA, Mr. Rice holds a Masters in Professional Accounting from the University of

Saskatchewan and a Bachelor of Management from University of Lethbridge. An active community member, Tyler was recently honoured as the 2020 Volunteer of the Year by Community Futures of Central Kootenays.

*Stephen Smith* – Mr. Smith has been an EBN Director since August 31, 2020. He currently serves on the Board of Directors of MAV Beauty Brands Inc., a consumer discretionary company, as Audit Committee Chair, Freshii Inc., a consumer discretionary company, and Organigram Holdings Inc., a consumer staples company. He has also served on the Board of Directors, Audit Committee and the Executive Committee for CST Brands, Inc., a consumer staples company (recently acquired by Alimentation Couche-Tard), was recently an Advisory Board member of Jackman Reinvention Inc., a brand strategy consultancy in Toronto. He was also the Lead Director and Chair of the Audit Committee for Newstrike Brands Ltd., a consumer staples company, which went on to sell to HEXO Corp. His executive experience includes serving as an Executive Vice President with Loblaw Companies Ltd., a consumer staples company, and CFO, later Co-CEO, of Cara Operations Ltd., a consumer discretionary company.

*Jared Wolk* – Mr. Wolk is the portfolio manager of Vesta Wealth Partners Ltd. (formerly Genn Family Office), a leading investment firm in western Canada. In 2018, his team received the Multi-Family Office Team of the Year award from the Society of Trust and Estate Practitioners, an international organization of 20,000 members representing 95 jurisdictions. He also sits on the board of Kleos Microfinance Group, a non-profit organization, and is a director of the General Partner of Cerulean Private Equity Access Funds, a private equity fund of funds. Mr. Wolk holds a BA from the University of Calgary and an MSc (Finance) from Simon Fraser University. He also holds the Chartered Alternative Investment Analyst designation and holds the Chartered Financial Analyst designation.

*Wong Wing Kiong* – Mr. Wong has been an EBN Director since November 21, 2019, and Chief Product Officer of EBN since February 1, 2019. He has been in the electronics industry for the last 25 years. He started his career as a software engineer, programming micro-controllers for Panasonic audio devices. He then went on to hold various positions at Philips Semiconductors, Inc., a technology company, including senior marketing manager in the Zurich office. During his stint in Zurich, his team created the world's first one-chip DECT IC. In 2008, he created a start-up company developing state-of-the-art baby monitors for various original design manufacturers such as Summer Infant, Levana, and Motorola. In 2017, Mr. Wong started Cinatic, which was acquired by EBN in 2019. He graduated from the National University of Singapore with an EEE.

***Officers***

After the consummation of the Proposed Qualifying Transaction and Offering, the officers of the Resulting Issuer will be as follows:

*Craig Smith, Chief Executive Officer* – See above.

*Ernest Levenson, President* – Mr. Levenson has been the President of EBN since April 1, 2020. He has 15 years of executive experience at VTech Communications Inc., a wholly-owned subsidiary of VTech Holdings Limited, a global supplier of electronic learning products, as its President and VP of Operations. His work at VTech led it to become the number one market-share leader in the global Baby Monitor category, generating over 260% e-commerce revenue growth across major retailer websites in less than three years. Prior to VTech, he was the Chief Operating Officer of HomeRelay Communications, Inc., a telecommunications company, overseeing budget planning, contract management, engineering, day-to-day network operations, billing, customer support, quality assurance, and production. He also possesses significant experience in information technology as the Director of IT and Business Development for Verizon Communications Inc., a global telecommunications company, where he created and managed the strategic direction and IT team for Verizon's web presence and managed the programming and operations staff to support the R&D centres. Mr. Levenson holds an M.B.A from Babson College and a B.A. from Connecticut College.

*Kalvie Legat, Chief Financial Officer and Executive Vice President, Head of Corporate Development* – Mr. Legat has held various executive roles since joining EBN on November 1, 2018. He has over 15 years of experience in finance and capital markets. He began his career in 2004 with the investment dealer Canaccord Capital Inc., and thereafter, the investment dealers MGI Securities Inc., Jennings Capital Inc., and Integral Wealth Securities Limited, with a focus on institutional sales for small- to mid-cap issuers. Mr. Legat holds a BCrim from Mount Royal University.

*Adam Rock, Corporate Secretary* – Mr. Rock was Corporate Secretary of EBN from March 23, 2020, to December 8, 2020. He is a partner of Nerland Lindsey LLP, a Canadian law firm, and has practiced corporate law, with a focus on securities transactions and mergers and acquisitions, since 2006. Mr. Rock holds an LLB from the University of Toronto and is called to the bar in the Province of Alberta.

*Chris Taylor, Vice President, Finance* - Mr. Taylor has been the Vice President, Finance of EBN since January 2021. He has over ten years of experience in accounting, finance, and tax in a variety of industries. Previously, he was the Supervisor, Financial Reporting at Jupiter Resources Ltd., an energy company, from 2017 to 2021. Prior to Jupiter, Mr. Taylor was at Bellatrix Exploration Ltd., an energy company, Petrus Resources Ltd., an energy company, and at KPMG LLP, an international accounting firm. Mr. Taylor graduated from the University of British Columbia with a Bachelor of Commerce degree in Accounting and is a Chartered Professional Accountant.

*Katica Viskovic, Chief Operating Officer* – Ms. Viskovic has been the Chief Operating Officer of EBN since 2017. She has significant experience building and managing global teams remotely. Prior to her current position, she served as the Supply Chain Manager for EBN. She began her career as a supply chain officer and has ten years of experience in international supply chain management and client onboarding, overseeing and managing the overall supply chain and logistics strategy of EBN. Ms. Viskovic holds a bachelor degree from the Faculty of Political Science in Zagreb University in Croatia.

*Wong Wing Kiong, Chief Product Officer* – See above.

The following table discloses certain information about the proposed Resulting Issuer Directors and executive officers of the Resulting Issuer.

| Name, Province, and Country of Residence | Position/Role | Present Occupation and Principal Occupation for Past Five Years | Resulting Issuer Shares Held after giving effect to the Offering | Percentage of outstanding Resulting Issuer Shares upon completion of the Proposed Qualifying Transaction and Offering[(1)] | Percentage of outstanding Resulting Issuer Shares upon completion of the Proposed Qualifying Transaction and Offering after giving effect to the Over-Allotment Option[(1)] |
|---|---|---|---|---|---|
| Craig Smith, Guanacaste Province, Costa Rica | Chair and Chief Executive Officer | Chair and Chief Executive Officer of EBN. Prior thereto, President and Chief Executive Officer of EBN. | 2,405,743 | 10.95% | 10.69% |
| Joanne Hruska, Alberta, Canada | Director | Capital Markets and ESG Strategist at Integral Wealth Securities Limited, an IIROC-licensed firm. Prior thereto, Portfolio Manager at Aston Hill Financial Inc., an investment firm. | 9,639 | 0.04% | 0.04% |

| Name, Province, and Country of Residence | Position/Role | Present Occupation and Principal Occupation for Past Five Years | Resulting Issuer Shares Held after giving effect to the Offering | Percentage of outstanding Resulting Issuer Shares upon completion of the Proposed Qualifying Transaction and Offering[(1)] | Percentage of outstanding Resulting Issuer Shares upon completion of the Proposed Qualifying Transaction and Offering after giving effect to the Over-Allotment Option[(1)] |
|---|---|---|---|---|---|
| Kalvie Legat, Alberta, Canada | Chief Financial Officer and Executive Vice President, Head of Corporate Development | Chief Financial Officer and Executive Vice President, Head of Corporate Development of EBN. Prior thereto, Executive Vice President, Head of Corporate Development of EBN. Prior thereto, Chief Financial Officer of EBN. Prior thereto, Branch Manager and Institutional Salesperson of Integral Wealth Securities Limited, an investment dealer. | 200,000 | 0.91% | 0.89% |
| Ernest Levenson, Oregon, USA | President | President of EBN. Prior thereto, President of Vtech Communications, Inc., a consumer discretionary company. | Nil | 0.00% | 0.00% |
| Hugh Tyler Rice, British Columbia, Canada | Director | Founding Partner of Rice & Company LLP, an accounting firm. | 31,173 | 0.14% | 0.14% |
| Adam Rock, Alberta, Canada | Corporate Secretary | Partner, and prior thereto Associate, of Nerland Lindsey LLP, a law firm. | 31,200 | 0.14% | 0.14% |
| Stephen Smith, Ontario, Canada | Director | Professional Director. | 20,000 | 0.09% | 0.09% |

| Name, Province, and Country of Residence | Position/Role | Present Occupation and Principal Occupation for Past Five Years | Resulting Issuer Shares Held after giving effect to the Offering | Percentage of outstanding Resulting Issuer Shares upon completion of the Proposed Qualifying Transaction and Offering(1) | Percentage of outstanding Resulting Issuer Shares upon completion of the Proposed Qualifying Transaction and Offering after giving effect to the Over-Allotment Option(1) |
|---|---|---|---|---|---|
| Chris Taylor, Alberta, Canada | Vice President, Finance | Vice President Finance of EBN. Prior thereto, Supervisor Financial Reporting at Jupiter Resources Ltd., an energy company, and Senior Financial Accountant at Bellatrix Exploration Ltd., an energy company. | Nil | 0.00% | 0.00% |
| Katica Viskovic, Hvar, Croatia | Chief Operating Officer | Chief Operating Officer of EBN. | 160,000 | 0.73% | 0.71% |
| Jared Wolk, Alberta, Canada | Director | Portfolio Manager of Vesta Wealth Partners Ltd., an investment firm. | 5,867 | 0.03% | 0.03% |
| Wong Wing Kiong, Singapore | Director and Chief Product Officer | Director and Chief Product Officer of EBN. Prior thereto, Chief Operating Officer of Cinatic, a technology company. | 1,098,749 | 5.00% | 4.88% |
| | | **Totals** | **3,962,371** | **18.03%** | **17.61%** |

Note:

(1) Calculated on a non-diluted basis. Percentages may not reconcile due to rounding.

**Cease Trade Orders, Bankruptcies, Penalties, or Sanctions**

No proposed Resulting Issuer Director or proposed Resulting Issuer Officer is, as at the date of this prospectus, or was within ten years before the date of this prospectus, a director, chief executive officer, or chief financial officer of any Person or Company (including the Resulting Issuer), that: (a) was subject to an Order that was issued while the proposed Resulting Issuer Director or proposed Resulting Issuer Officer was acting in the capacity as director, chief executive officer, or chief financial officer; or (b) was subject to an order that was issued after the proposed Resulting Issuer Director or proposed Resulting Issuer Officer ceased to be a director, chief executive officer, or chief financial officer and which resulted from an event that occurred while that individual was acting in the capacity as director, chief executive officer, or chief financial officer.

Furthermore, no proposed Resulting Issuer Director or proposed Resulting Issuer Officer: (a) is, as at the date of this prospectus, or has been within the ten years before the date of this prospectus, a director or officer of any Person or Company (including the Resulting Issuer) that, while that individual was acting in that capacity, or within a year of that

individual ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold her or his assets; or (b) has, within the ten years before the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager, or trustee appointed to hold the assets of the proposed Resulting Issuer Director or proposed Resulting Issuer Officer.

No Resulting Issuer Director or Resulting Issuer Officer has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

**Conflicts of Interest**

The ABCA requires the proposed Resulting Issuer Directors and proposed Resulting Issuer Officers, in exercising their powers and discharging their responsibilities, to act honestly and in good faith with a view to the best interests of the Resulting Issuer, and exercise the care, diligence, and skill that a reasonably prudent individual would exercise in comparable circumstances. In addition, the ABCA requires any proposed Resulting Issuer Director or proposed Resulting Issuer Officer who is a party to a material contract or material transaction or proposed material contract or proposed material transaction with the Resulting Issuer, or is a director or an officer of or has a material interest in any Person or Company that is a party to a material contract or material transaction or proposed material contract or proposed material transaction with the Resulting Issuer, to disclose in writing to the Resulting Issuer or request to have entered in the minutes of meetings of the Resulting Issuer Board the nature and extent of the interest.

To the knowledge of the Corporation and EBN, there will exist no existing material conflicts of interest between the Resulting Issuer and any proposed Resulting Issuer Director or proposed Resulting Issuer Officer Issuer. Certain proposed Resulting Issuer Directors and proposed Resulting Issuer Officers act as directors and officers of other Companies. It is possible that material conflicts of interest between the Resulting Issuer and those proposed Resulting Issuer Directors and proposed Resulting Issuer Officers may arise due to them acting as directors and officers of other Persons or Companies.

**PROMOTERS**

The following table discloses information about each person who is, or has been within the two years immediately preceding the date of the prospectus, a Promoter of the Resulting Issuer:

| Name | Resulting Issuer Shares Held after giving effect to the Offering | Percentage of outstanding Resulting Issuer Shares upon completion of the Proposed Qualifying Transaction and Offering | Percentage of outstanding Resulting Issuer Shares upon completion of the Proposed Qualifying Transaction and Offering after giving effect to the Over-Allotment Option |
|---|---|---|---|
| David Henderson | 58,096 | 0.26% | 0.26% |
| Craig Smith | 2,405,743 | 10.95% | 10.69% |
| Wong Wing Kiong | 1,098,749 | 5.00% | 4.88% |

Note:

(1) Calculated on a non-diluted basis. Percentages may not reconcile due to rounding.

**EXECUTIVE COMPENSATION**

This section of the prospectus discloses the direct and indirect compensation that the Resulting Issuer expects to provide

to the proposed Resulting Issuer Directors and proposed Resulting Issuer Named Executive Officers for, or in connection with, the services they provide to the Resulting Issuer or any subsidiary of the Resulting Issuer for 2021, and the decision-making process relating to that compensation.

**Summary Compensation Table**

The Chief Financial Officer of the Resulting Issuer will work with the Resulting Issuer Board to determine market competitive compensation for the Resulting Issuer Directors and Resulting Issuer Officers, and the Resulting Issuer expects that such compensation and bonus structure will be determined by the Resulting Issuer Officers and recommended to the Resulting Issuer Board for approval by June 30, 2021. Compensation below for Resulting Issuer Directors and Resulting Issuer Officers who are Named Executive Officers is based on compensation paid by the Corporation and EBN in the previous twelve-month period.

| Name and Position | Salary, Consulting Fee, Retainer or Commission ($) | Bonus ($) | Committee or Meeting Fees ($) | Value of Perquisites ($) | Value of Other Compensation ($) | Total Compensation ($) |
|---|---|---|---|---|---|---|
| Craig Smith, Chair, Chief Executive Officer | $180,000 | Nil | Nil[1] | Nil | Nil | $180,000 |
| Joanne Hruska, Director | $60,000[2] | Nil | Nil | Nil | Nil | $60,000 |
| Kalvie Legat, Chief Financial Officer and Executive Vice President, Head of Corporate Development | $120,000 | Nil | Nil | Nil | Nil | $120,000 |
| Ernest Levinson, President | $169,000 | Nil | Nil | Nil | Nil | $169,000 |
| Adam Rock, Corporate Secretary[2] | $30,000 | Nil | Nil | Nil | $30,000 | $60,000 |
| Hugh Tyler Rice, Director | $60,000[2] | Nil | Nil | Nil | Nil | $60,000 |
| Stephen Smith, Director | $60,000[2] | Nil | Nil | Nil | Nil | $60,000 |
| Jared Wolk, Director | $60,000[2] | Nil | Nil | Nil | Nil | $60,000 |
| Wong Wing Kiong, Director and Chief Product Officer | $180,000 | Nil | Nil[1] | Nil | Nil | $180,000 |

Notes:

(1) Non-independent Resulting Issuer Directors are entitled to the reimbursement of reasonable out-of-pocket expenses, but no fixed committee or meeting fees.

(2) Independent Resulting Issuer Directors are entitled to an annual cash retainer of $60,000 per annum.

(3) The Corporate Secretary is entitled to an annual cash retainer of $30,000 per annum plus Resulting Issuer Options equal in value to $30,000 per annum.

**Stock Options and Other Compensation Securities**

The Resulting Issuer expects that stock options and any other forms of equity compensation will be determined by the executive Resulting Issuer Officers and recommended to the Resulting Issuer Board for approval by June 30, 2021.

**Stock Option Plans and Other Incentive Plans**

The Option Plan will continue to be the stock option plan of the Resulting Issuer. See *"Information about the Corporation – Executive Compensation – Stock Option Plans and Other Incentive Plans"*.

**Employment, Management, and Consulting Agreements**

The Resulting Issuer expects that the executive Resulting Issuer Officers will recommend that the Resulting Issuer Board seek to renew any employment, management, and consulting agreements of the Corporation and EBN applicable to the business of the Resulting Issuer.

**Pension Disclosure**

The Resulting Issuer does not expect to provide a pension to any proposed Resulting Issuer Director or proposed Resulting Issuer Named Executive Officer for the 12-month period following the Closing Date.

**INDEBTEDNESS OF DIRECTORS AND OFFICERS**

Except for Routine Indebtedness, at the Closing Date, none of the proposed Resulting Issuer Directors, Resulting Issuer Officers, or employees of the Resulting Issuer or proposed directors, officers, or employees of any of the Resulting Issuer subsidiaries (a) will be indebted to EBN, or (b) another Person or Company where such indebtedness is the subject of a guarantee, support agreement, letter of credit, or other similar arrangement or understanding provided by the Resulting Issuer or any of the Resulting Issuer subsidiaries.

**CORPORATE GOVERNANCE**

**Board of Directors**

The Resulting Issuer Board will include the following proposed Resulting Issuer Directors: Joanne Hruska, Hugh Tyler Rice, Craig Smith (Chair), Stephen Smith, Jared Wolk, and Wong Wing Kiong.

The proposed Resulting Issuer Directors who will be independent are Joanne Hruska, Hugh Tyler Rice, Stephen Smith, and Jared Wolk. They are considered to be independent as they are not expected to have any direct or indirect relationships with the Resulting Issuer that could, in the view of the proposed Resulting Issuer Board, be reasonably expected to interfere with the exercise of their independent judgment.

The proposed Resulting Issuer Directors who will not be independent are Craig Smith and Wong Wing Kiong. They are not considered to be independent as they are expected to have a direct or indirect relationship with the Resulting Issuer that could, in the view of the proposed Resulting Issuer Board, be reasonably expected to interfere with the exercise of their independent judgment. In particular, Mr. Smith will be the Chief Executive Officer of the Resulting Issuer and Mr. Wong will

be the Chief Product Officer of the Resulting Issuer.

**Other Directorships**

No proposed member of the Resulting Issuer Board is currently a director of a Reporting Issuer in Canada, except for Joanne Hruska, who became a director of Vitreous Glass Inc. (TSXV:VCI) in March 2021, and Stephen Smith, who became a director of MAV Beauty Brands Inc. (TSE:MAV) in July 2018, Freshii Inc. (TSX:FRII) in January 2020, and Organigram Holdings Inc. (TSX:OGI, NASDAQ:OGI) in February 2020.

**Orientation and Continuing Education**

Following the Closing Date, the Resulting Issuer intends to implement an orientation program under which new Resulting Issuer Directors will meet with the executive Resulting Issuer Officers. It is anticipated that new Resulting Issuer Directors will be provided with comprehensive orientation and education as to the nature and operation of the Resulting Issuer and its business, the role of the Resulting Issuer Board and its committees, and the contribution that an individual Resulting Issuer Director is expected to make. The Resulting Issuer intends to create the Resulting Issuer CNG Committee, which will be responsible for overseeing Resulting Issuer Director continuing education designed to maintain or enhance the skills and abilities of the Resulting Issuer Directors and to ensure that their knowledge and understanding of our business remains current. The Resulting Issuer intends for the chair of each committee of the Resulting Issuer Board to be responsible for coordinating orientation and continuing Resulting Issuer Director development programs relating to such committee's mandate.

**Ethical Business Conduct**

The Resulting Issuer intends to adopt a written code of ethics that applies to all Resulting Issuer Directors, Resulting Issuer Officers, employees, consultants, and agents acting on behalf of the Resulting Issuer. The objective of the proposed code will be to provide guidelines for maintaining the integrity, trust and respect of the Resulting Issuer and Resulting Issuer subsidiaries. The proposed code will address compliance with Laws, conflicts of interest, confidentiality, commitment, preferential treatment, financial information, internal controls and disclosure, protection and proper use of our assets, communications, fair dealing, fair competition, due diligence, illegal payments, equal employment opportunities and harassment, privacy, use of Resulting Issuer computers and the Internet, political and charitable activities and reporting any violations of Laws or the proposed code. The Resulting Issuer Board will have ultimate responsibility for monitoring compliance with the proposed code and will monitor compliance through the Resulting Issuer CNG Committee. The proposed code will be filed with the Canadian securities regulatory authorities on SEDAR at www.sedar.com.

**Nomination of Directors**

The Resulting Issuer intends for the Resulting Issuer CNG Committee to be responsible for, annually or as required, recruiting and identifying, and recommending to the Resulting Issuer Board for nomination, individuals qualified to become new Resulting Issuer Directors, as well as recommending individual Resulting Issuer Directors to serve on any proposed committees of the Resulting Issuer Board. In making its recommendations, the Resulting Issuer CNG Committee shall consider the competencies that the Resulting Issuer Board considers to be necessary and desirable for the Resulting Issuer Board as a whole, and Resulting Issuer Board committees, to possess, the competencies and skills that the Resulting Issuer Board considers each incumbent Resulting Issuer Director to possess, and the competencies and skills each new nominee will bring to the boardroom. The Resulting Issuer CNG Committee shall also consider the amount of time and resources that nominees have available to fulfill their duties as a member of the Resulting Issuer Board.

The Resulting Issuer intends for the Resulting Issuer CNG Committee to be composed of independent Resulting Issuer Directors within the meaning of National Instrument 58-101 *Disclosure of Corporate Governance Practices*. The chair of the Resulting Issuer CNG Committee will lead the nominating process in accordance with and pursuant to the criteria for Resulting Issuer Board membership as set forth in the proposed charter of the Resulting Issuer CNG Committee. See "*Committees of the Board – Compensation, Nominating and Governance Committee*".

**Compensation**

The Resulting Issuer will operate in a dynamic and rapidly evolving global e-commerce market. To succeed, the Resulting Issuer will need to attract, retain, and motivate a highly talented team of Resulting Issuer Directors and executive Resulting Issuer Officers. The Resulting Issuer expects each member of its team to possess and demonstrate strong leadership and management capabilities while striving to achieve specific key performance indicators.

The Resulting Issuer intends to design and adopt an executive officer compensation program in order to achieve the following objectives:

- provide adequate compensation opportunities in order to attract and retain talented and experienced executive officers, having the knowledge, skills and performance potential critical to the Resulting Issuer's future success;
- provide the necessary motivation for the Resulting Issuer executive officers to achieve corporate and individual objectives;
- align the interests of the Resulting Issuer's executive officers with those of the Resulting Issuer's Shareholders by tying a meaningful portion of their compensation directly to the long-term value and growth of the Resulting Issuer's business; and
- provide incentives that encourage appropriate levels of risk-taking by executive officers and provide a strong pay-for-performance relationship.

The Resulting Issuer expects to offer its officers cash compensation, in the form of a base salary and annual bonuses, and equity-based compensation, in the form of stock options under the Resulting Issuer Option Plan.

The Resulting Issuer Board intends to adopt a written insider trading policy in order to comply with Policy 3.1 – *Directors, Officers, Other Insiders & Personnel and Corporation Governance, TSXV Corporate Finance Policies*, and all other applicable Securities Laws. All Resulting Issuer Directors, Resulting Issuer Officers, and employees of the Resulting Issuer will be subject to the proposed insider trading policy, which will prohibit trading, tipping and recommending trades in the securities of the Resulting Issuer while in possession of material undisclosed information relating to the Resulting Issuer or its business. Pursuant to the proposed insider trading policy, such individuals will also be prohibited from entering into hedging transactions involving the securities of the Resulting Issuer, including short sales, puts and calls, and the Resulting Issuer Directors, Resulting Issuer Officers, and certain other Insiders of the Resulting Issuer will only be permitted to trade in the securities of the Resulting Issuer during prescribed trading windows.

**Assessments**

The Resulting Issuer CNG Committee will be responsible, pursuant to their proposed mandate, for assessing the effectiveness of the Resulting Issuer Board, including each of its committees and individual members, and for administering any equity-based compensation or incentive plans of the Resulting Issuer. The Resulting Issuer CNG Committee will also be responsible for reviewing compensation paid by the Resulting Issuer to its officers and making recommendations to the Resulting Issuer Board regarding any appropriate changes to such compensation. See "*Information about the Resulting Issuer - Oversight and Description of Director and Named Executive Officer Compensation – Compensation-Setting Process*".

**Audit Committee**

The Resulting Issuer intends to establish Resulting Issuer Audit Committee to oversee the financial reporting process of the Resulting Issuer, in accordance with National Instrument 52-110 *Audit Committees*.

***Composition***

The composition of the Resulting Issuer Audit Committee has not yet been finalized, but is expected to be Stephen A. Smith (Chair), Joanne Hruska, and Hugh Tyler Rice, each of whom is independent of the Resulting Issuer and each of whom possesses the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Resulting Issuer.

***Charter***

The Audit Committee Charter will continue to be the audit committee charter of the Resulting Issuer. See *"Information about the Corporation – Corporate Governance – Audit Committee"*.

***Auditor***

The external auditor of the Resulting Issuer is anticipated to be RSM Canada LLP, Chartered Professional Accountants, 11 King Street West, Suite 700, Toronto, Ontario M5H 4C7.

**INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No proposed Resulting Issuer Director or proposed Resulting Issuer Officer or Person or Company that will own, or control or direct, directly or indirectly, more than 10% of the outstanding Resulting Issuer Shares, or any affiliate of a proposed Resulting Issuer Director or proposed Resulting Issuer Officer or Person or Company that will own, or control or direct, directly or indirectly, more than 10% of the outstanding Resulting Issuer Shares is expected to have during the current financial year of the Corporation, any material interest, direct or indirect, in any transaction that is reasonably expected to materially affect the Resulting Issuer.

**REGISTRAR AND TRANSFER AGENT**

The registrar or transfer agent of the Resulting Issuer Shares will be Odyssey Trust Company, whose address is 350, 300 – 5th Avenue SW, Calgary, Alberta T2P 3C4.

**MATERIAL CONTRACTS**

Following the completion of the Proposed Qualifying Transaction, the material contracts of EBN and the Corporation will continue to be the material contracts of the Resulting Issuer. Any material contract of the Reporting Issuer will be filed on SEDAR under the Resulting Issuer's profile at www.sedar.com.

For information regarding the material contracts of the Corporation, see "*Information about the Corporation – Material Contracts*". For information regarding the material contracts of EBN, see "*Information about EBN – Material Contracts*".

## OTHER MATTERS

### EXPERTS

The external auditor of the Corporation is MNP LLP whose address is 1500, 640 - 5th Avenue SW, Calgary Alberta T2P 3G4. MNP LLP has confirmed to the Corporation that it is independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

The external auditor of EBN is RSM Canada LLP, Chartered Professional Accountants, 11 King Street West, Suite 700, Toronto, Ontario M5H 4C7. RSM Canada LLP audited the annual financial statements of EBN for the year ended March 31, 2020. RSM Canada LLP has confirmed to EBN that it is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

RSM Alberta LLP, Chartered Professional Accountants, 777 8 Avenue SW, Suite 1400, Calgary, Alberta T2P 3R5, audited the annual financial statements of EBN for the years ended March 31, 2019, March 31, 2018, and March 31, 2017. RSM Alberta LLP has confirmed that it is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

RSM Hong Kong, Certified Public Accountants of 29th Floor, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong, audited the Cinatic Annual Financial Statements. RSM Hong Kong has confirmed that it is independent.

### Legal Matters

Certain legal matters relating to the Offering will be passed upon on behalf of the Corporation and EBN by Nerland Lindsey LLP, and on behalf of the Agents by DLA Piper (Canada) LLP.

Except for Adam Rock, the partners and associates of Nerland Lindsey LLP do not own, directly or indirectly, any securities or other property of the Corporation or EBN. Mr. Rock, a Partner of Nerland Lindsey LLP, and an EBN Director, owns 156,000 EBN Shares and 175,000 EBN Options, representing approximately 0.29% of the outstanding EBN Shares on a fully-diluted basis.

The partners and associates of DLA Piper (Canada) LLP do not own, directly or indirectly, any securities of EBN , and own less than 1% of the outstanding securities of the Corporation.

### RIGHTS OF WITHDRAWAL AND RESCISSION

Securities Laws in certain provinces of Canada provide Purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of this prospectus and any amendment. In several provinces of Canada, Securities Law further provides a Purchaser with remedies for rescission or revisions of the Offering Price or damages if this prospectus and any amendment contains a Misrepresentation or is not delivered to the Purchaser, on the condition that the remedies for rescission, revisions of the Offering Price, or damages are exercised by the Purchaser within the time limit prescribed by the Securities Law of the province of the Purchaser. The Purchaser should refer to any applicable provisions of the Securities Law of the province of the Purchaser for the particulars of these rights or consult with a legal adviser.

Purchasers will have a contractual right of rescission against the Resulting Issuer following the issuance of the Resulting Issuer Shares and Resulting Issuer Warrants underlying the Subscription Receipts, to receive the amount paid for the Subscription Receipts in the event that this prospectus (including documents incorporated by reference in this prospectus) and any amendment to this prospectus contains a misrepresentation or is not delivered to such Purchasers, on the condition that such remedy for rescission is exercised within 180 days from the Offering Closing Date.

### EXEMPTIONS

National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* requires that the financial statements in this prospectus must be accompanied by an auditor's report that expresses an unmodified opinion if they were audited

in accordance with generally accepted auditing standards determined with reference to the CPA Canada Handbook or auditing standards set by the International Auditing and Assurance Standards Board, as amended from time to time. Securities Regulatory Authorities have granted relief to permit the auditor's report on the EBN Annual Financial Statements to contain a qualified opinion relating to opening inventory for the years ended March 31, 2018, and March 31, 2017, and as at April 1, 2016.

## SCHEDULE A

### AUDIT COMMITTEE CHARTER

### 1. MEMBERSHIP

1.1 The audit committee (the "**Committee**") of the board of directors (the "**Board**") of CE Brands Inc. (the "**Corporation**") shall consist of three or more directors. Each member of the Committee shall be independent in accordance with all applicable corporate and securities laws and stock exchange policies.

1.2 Each member of the Committee must be financially literate, as this term is defined under National Instrument 52-110 *Audit Committees* of the Canadian Securities Administrators (the "**Instrument**").

1.3 The Board shall appoint members to the Committee. The members of the Committee shall be appointed for one-year terms or such other terms as the Board may determine and shall serve until a successor is duly appointed by the Board or until the member's earlier death, resignation, disqualification or removal. The Board may remove any member from the Committee at any time with or without cause. The Board shall fill Committee member vacancies by appointing a member from the Board. If a vacancy on the Committee exists, the remaining members shall exercise all the Committee's powers so long as a quorum exists.

1.4 New Committee members shall be provided with an orientation program to educate them on the Corporation, their roles and responsibilities on the Committee and the Corporation's financial reporting and accounting practices. Committee members shall also receive training, as necessary, to increase their understanding of financial, accounting, auditing and industry issues applicable to the Corporation.

1.5 The Board shall appoint the chair of the Committee (the "**Chair**") from the Committee members. Subject to Section 1.4, the Board shall determine the Chair's term of office.

1.6 A quorum for decisions of the Committee shall be two members.

### 2. COMMITTEE MEETINGS

2.1 The Committee shall meet at least quarterly at such times and places as determined by the Committee. The Committee is governed by the same rules regarding meetings (including the procedure used to call meetings, and conducting meetings electronically, in person or by telephone), notice of meetings and waiver of notice by committee members, written resolutions in lieu of a meeting and voting at meetings that apply to the Board.

2.2 Notice of the time and place of a Committee meeting shall be given by the Committee to the Corporation's external auditor (the "**Auditor**") in the same manner notice is provided to Committee members. The Committee shall provide the Auditor with all meeting materials in advance of the meeting.

2.3 The Chair shall seek input from Committee members, the Corporation's management, the Auditor and Board members when setting each Committee meeting's agenda.

2.4 Any written material to be provided to Committee members for a meeting must be distributed in advance of the meeting to give Committee members time to review and understand the information.

2.5 The chair of the Board (the "**Board Chair**"), the chief executive officer of the Corporation ("**CEO**") and chief financial officer of the Corporation ("**CFO**") may, if invited by the Chair, attend, give presentations relating to their responsibilities and otherwise participate at Committee meetings. Other Board members may also, if invited by the Chair, attend and participate at Committee meetings.

2.6 The Committee may appoint a Committee member or any other attendee to be the secretary of a meeting. The Chair shall circulate minutes of all Committee meetings to the Corporation's Board members and its

Auditor. The Committee shall report its decisions and recommendations to the Board promptly after each Committee meeting.

2.7 The Committee may meet for a private session, excluding management or other third parties, following each Committee meeting or as otherwise determined by the Committee.

## 3. PURPOSE, ROLE AND AUTHORITY

3.1 The purpose of the Committee is to oversee the Corporation's accounting and financial reporting processes and the preparation and auditing of the Corporation's financial statements.

3.2 The Committee is authorized by the Board to investigate any matter set out in this Charter or otherwise delegated to the Committee by the Board.

## 4. DUTIES AND RESPONSIBILITIES

4.1 The Committee has the duties and responsibilities set out in Sections 5 to 14 of this Charter, as may be amended, supplemented or restated from time to time.

## 5. EXTERNAL AUDITOR - APPOINTMENT AND REMOVAL

5.1 The Committee shall consider and recommend to the Board, to put forward for shareholder approval at the annual meeting, an Auditor that will be appointed or reappointed to prepare or issue an auditor's report and perform audit, review, attest or other services for the Corporation in compliance with the Instrument and, if necessary, recommend to the Board the Auditor's removal.

5.2 The Committee shall recommend to the Board the Auditor's compensation and otherwise setting the terms of the Auditor's engagement (including reviewing and negotiating the Auditor's engagement letter).

5.3 The Committee shall review and monitor the independence of the Auditor.

5.4 At least once per fiscal year, the Committee shall review the qualifications and performance of the Auditor and the Auditor's lead partners and consider and decide if the Corporation should adopt or maintain a policy of rotating the accounting firm serving as the Corporation's Auditor.

## 6. AUDITOR OVERSIGHT - AUDIT SERVICES

6.1 The Committee shall require the Auditor to report directly to the Committee.

6.2 The Committee shall discuss with the Auditor: (a) before an audit commences, the nature and scope of the audit, the Auditor's responsibilities in relation to the audit, the overall audit strategy, the timing of the audit, the processes used by the Auditor to identify risks and reporting such risks to the Committee; and (b) any other matters relevant to the audit.

6.3 The Committee shall review and discuss with the Auditor all critical accounting policies and practices to be used in the audit, all alternative treatments of financial information within generally accepted accounting principles as set out in the CPA Canada Handbook – Accounting (International Financial Reporting Standards), as amended from time to time ("**GAAP**") that have been discussed with management, the ramifications of the use of such alternative treatments and the treatment preferred by the Auditor.

6.4 The Committee shall review any major issues regarding accounting principles, including GAAP, and financial statement presentation with the Auditor and Corporation's management, including any significant changes in the Corporation's selection or application of accounting principles; any significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including the effect of regulatory and accounting initiatives and off-balance sheet structures on the Corporation's financial statements.

6.5 The Committee shall review and discuss with the Auditor and management any problems or difficulties encountered during the audit, including restrictions on the scope of activities or access to information, and any significant disagreements between the Auditor and management in relation to financial reporting. The Committee may meet with the Auditor and management (together or separately) to discuss and resolve such disagreements.

6.6 The Committee shall review all material communications between management and the Auditor, including reviewing the Auditor's management letter and management's response.

6.7 The Committee shall create (if required), review, and approve the Corporation's policies respecting the Corporation's hiring of any (former or current) Auditor's past or present employees or past or present partners that participated in any capacity in any Corporation audit.

6.8 The Committee shall oversee any other matters relating to the Auditor and the performance of audit services on the Corporation's behalf.

## 7. AUDITOR OVERSIGHT - NON-AUDIT SERVICES

7.1 The Committee shall pre-approve all non-audit services to be provided by the Auditor to the Corporation or its Subsidiaries in accordance with the Instrument.

7.2 Notwithstanding section 7.1, the Committee shall delegate the pre-approval of non-audit services to a member or certain members of the Committee. These member or members shall notify the Committee at each Committee meeting of the non-audit services they approved since the last Committee meeting.

## 8. INTERNAL CONTROLS

8.1 The Committee shall monitor and review the effectiveness of the Corporation's internal audit function, including ensuring that any internal auditors (the "**Internal Auditors**") have adequate monetary and other resources to complete their work and appropriate standing within the Corporation and, if the Corporation has no Internal Auditors, consider, on an annual basis, whether the Corporation requires Internal Auditors and make related recommendations to the Board.

8.2 The Committee shall oversee an effective system of internal controls and procedures for the Corporation relating to the financial reporting process and disclosure of the financial results ("**Internal controls**").

8.3 The Committee shall review with management and the Internal Auditors (with each privately or together) the adequacy and effectiveness of the Corporation's Internal controls, including any significant deficiencies or material weaknesses in the design or operation of the Internal controls and determine if any special steps must be adopted by the Auditor during its audit in light of any such deficiencies or weaknesses.

8.4 The Committee shall review management's roles, responsibilities and performance in relation to the Internal controls.

8.5 The Committee shall review, discuss and investigate: (a) any alleged fraud involving the Corporation's management or employees in relation to the Internal controls, including management's response to any allegations of fraud; (b) implement corrective and disciplinary action in cases of proven fraud; and (c) determine if any special steps must be adopted by the Auditor during its audit in light of any proven fraud or any allegations of fraud.

8.6 The Committee shall establish and monitor the procedures for: (a) the receipt, retention and treatment of complaints that the Corporation receives relating to its Internal controls; (b) the anonymous submission of employees' concerns relating to questionable accounting or audit matters engaged in by the Corporation; and (c) the independent investigation of the matters set out in Section 8.6(a) and Section 8.6(b), including appropriate follow up actions.

8.7 The Committee shall review and discuss with the CEO and CFO, or those officers who perform the duties similar to a CEO or CFO, the steps taken to complete the required certifications of the annual and interim filings with applicable securities commissions.

## 9. FINANCIAL STATEMENTS

9.1 The Committee shall review and discuss with the Auditor and management the Corporation's annual audited financial statements and the accompanying Auditor's report and management discussion and analysis ("**MD&A**"). The Committee's review of the annual audited financial statements will include a review of the notes contained in the financial statements, in particular the notes on: (a) significant accounting policies, including any changes made to them and the effect this may have on the Corporation; (b) significant estimates and assumptions; (c) significant adjustments resulting from the an audit; (d) the going concern assumption; (e) compliance with accounting standards; (f) investigations and litigation undertaken by regulatory authorities; (g) the impact of unusual transactions; and (h) off-balance sheet and contingent asset and liabilities, and related disclosures.

9.2 The Committee shall assess (a) the quality of the accounting principles applied to the financial statements; (b) the clarity of disclosure in the financial statements; and (c) whether the audited annual financial statements present fairly, in all material respects, in accordance with GAAP, the Corporation's financial condition, operational results and cash flows.

9.3 Upon satisfactory completion of its review, the Committee shall recommend the annual audited financial statements, Auditor's report and annual MD&A for Board approval.

9.4 The Committee shall review the interim financial statements and related MD&A with the Auditor and management, and if satisfied that the interim financial statements meet the criteria set out in subsection 9.2 to recommend to the Board that it approve the interim financial statements and accompanying MD&A.

## 10. DISCLOSURE OF OTHER FINANCIAL INFORMATION

10.1 The Committee shall review and discuss with management the design, implementation and maintenance of effective procedures relating to the Committee's prior review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements ("**Disclosure Procedures**"); ensure that the Disclosure Procedures put in place are followed by the Corporation's management and employees; and periodically assess the adequacy of the Disclosure Procedures.

10.2 The Committee shall review the Corporation's profit and loss press releases and other related press releases before they are released to the public, including the Corporation's annual information form, earnings press releases and any other public disclosure documents required by applicable securities commissions; and review the nature of any financial information and ratings information provided to agencies and analysts in accordance with the Corporation's disclosure policy.

10.3 The Committee shall monitor and review the Corporation's policy on confidentiality and disclosure on a yearly basis.

## 11. RISK MANAGEMENT

11.1 The Committee shall review and discuss with management and the Internal Auditors (each privately or together) policies and guidelines to govern the processes by which management assesses and manages the Corporation's risks, including the Corporation's major financial risk exposures and fraud, and the steps management has taken to monitor and control such exposures.

11.2 The Committee shall review the periodic reports delivered to the Committee by the Internal Auditors; and oversee the processes by which major Corporation risks are reviewed by either the Committee, another Board committee or the full Board.

## 12. LEGAL COMPLIANCE

The Committee shall review with legal counsel any legal matters, including inquiries received from regulators and governmental agencies, that may have a significant effect on the Corporation's financial statements, cash flows or operations.

## 13. RELATED PARTY TRANSACTIONS

The Committee shall review all proposed related party transactions, other than those reviewed by a special committee of disinterested directors in accordance with Canadian corporate or securities laws.

## 14. OTHER DUTIES AND RESPONSIBILITIES

The Committee shall complete any other duties and responsibilities delegated by the Board to the Committee from time to time.

## 15. MEETINGS WITH THE AUDITOR

Notwithstanding anything set out in this Charter to the contrary, the Committee may meet privately with the Auditor or Internal Auditors as frequently as the Committee deems appropriate for the Committee to fulfil its responsibilities and to discuss any concerns of the Committee or Auditor in relation to the matters covered by the Committee's Charter, including the effectiveness of the Corporation's financial recording procedures and systems and management's cooperation and responsiveness to matters arising from the audit and non-audit services performed by the Auditor.

## 16. MEETINGS WITH MANAGEMENT

The Committee may meet privately with management and the Corporation's Internal Auditors (together or separately) as frequently as the Committee deems appropriate for the Committee to fulfil its responsibilities to discuss any concerns of the Committee, management or the Internal Auditors.

## 17. OUTSIDE ADVISORS

The Committee shall have the authority, in its sole discretion, to retain and obtain the advice and assistance of independent outside counsel and such other advisors as it deems necessary to fulfil its duties and responsibilities under this Charter. The Committee shall set the compensation and oversee the work of any outside counsel and other advisors to be paid by the Corporation.

## 18. REPORTING

The Committee shall report to the Board on all matters set out in this Charter and other matters assigned to the Committee by the Board, including: (a) the Auditor's independence; (b) the Auditor's performance and the Committee's recommendation to reappoint or terminate the Auditor; (c) the Internal Auditors' performance; (d) the adequacy of the Internal controls; (e) the Committee's review of the Corporation's annual and interim financial statements, and any GAAP reconciliation, including any issues respecting the quality and integrity of financial statements, along with the MD&A; (f) the Corporation's compliance with legal and regulatory matters and such matters affect the financial statements; and (g) the Corporation's risk management programs and any risks identified in accordance with this program.

## 19. CHARTER REVIEW

The Committee shall review this Charter and recommend any proposed changes to the Board for approval.

## 20. PERFORMANCE EVALUATION

The Committee shall conduct an annual evaluation of the performance of its duties and responsibilities under this Charter and shall present the results of the evaluation to the Board. The Committee shall conduct this evaluation in such manner as it deems appropriate.

## 21. NO RIGHTS CREATED

This Charter is a broad policy statement and is intended to be part of Committee's flexible governance framework. While this Charter should comply with all applicable laws, regulations and listing requirements and the Corporation's articles and by-laws, this Charter does not create any legally binding obligations on the Committee, the Board or the Corporation.

## SCHEDULE B

PRO-FORMA FINANCIAL STATEMENTS OF THE RESULTING ISSUER

See attached.

# CE Brands

# Pro Forma Consolidated Financial Statements

# As at November 30, 2020

# (unaudited)

**CE Brands**
**Unaudited Pro Forma Consolidated Statement of Financial Position**
**As at November 30, 2020**
*(expressed in Canadian Dollars)*

| | | CE Brands | | eBuyNow December 31, 2020 | | Pro Forma Adjustments | Notes | | Pro Forma Balance |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Current Assets | | | | | | | | | |
| Cash | $ | 182,774 | $ | 510,041 | $ | 13,050,000 | 2 (b) | $ | 13,742,815 |
| Accounts receivable | | - | | 407,457 | | | | | 407,457 |
| Inventory | | - | | 2,210,317 | | | | | 2,210,317 |
| Prepaids and deposits | | - | | 360,591 | | | | | 360,591 |
| Deferred financing costs | | 35,000 | | - | | (35,000) | 2 (a) | | - |
| | | 217,774 | | 3,488,406 | | 13,015,000 | | | 16,721,180 |
| Property, plant and equipment | | - | | 432,618 | | - | | | 432,618 |
| Right of use asset | | - | | - | | - | | | - |
| Intangible assets | | - | | 930,934 | | - | | | 930,934 |
| Goodwill | | - | | 9,342,843 | | - | | | 9,342,843 |
| **Total assets** | $ | **217,774** | $ | **14,194,801** | $ | **13,015,000** | | **$** | **27,427,575** |
| **Liabilities** | | | | | | | | | |
| Current liabilities | | | | | | | | | |
| Accounts payable and accrued liabilities | $ | 6,076 | $ | 6,074,749 | $ | - | | $ | 6,080,825 |
| Due to related parties | | - | | 323,858 | | - | | | 323,858 |
| Warrant obligations | | - | | 239,071 | | - | | | 239,071 |
| Convertible debenture derivatives | | - | | 1,625,395 | | - | | | 1,625,395 |
| Current portion of long-term debt | | - | | 8,005,369 | | (1,954,154) | 2 (c) | | 6,051,215 |
| | | **6,076** | | **16,268,442** | | **(1,954,154)** | | | **14,320,364** |
| Long-term debt | | **-** | | 940,008 | | **-** | | | 940,008 |
| **Total liabilities** | | **6,076** | | **17,208,450** | | **(1,954,154)** | | | **15,260,372** |
| **Shareholders' Equity** | | | | | | | | | |
| Share capital | | 516,622 | | 16,741,481 | | (516,622) | 2 (a) | | 30,813,448 |
| | | - | | - | | 1,428,559 | 2 (a) | | |
| | | - | | - | | 10,214,706 | 2 (b) | | |
| | | - | | - | | 2,428,702 | 2 (c) | | |
| Equity component of convertible debt | | - | | 1,009,951 | | (474,547) | 2 (c) | | 535,404 |
| Warrants reserve | | - | | 3,514,043 | | | | | 3,514,043 |
| Contributed surplus | | 100,491 | | 1,052,809 | | (100,491) | 2 (a) | | 4,031,190 |
| | | - | | - | | 92,273 | 2 (a) | | |
| | | - | | - | | 50,814 | 2 (a) | | |
| | | | | | | 2,835,294 | 2 (b) | | |
| Accumulated other comprehensive income | | - | | (115,853) | | - | | | (115,853) |
| Accumulated deficit | | (405,415) | | (25,216,080) | | 405,415 | 2 (a) | | (26,611,029) |
| | | - | | - | | (1,394,949) | 2 (a) | | |
| **Total shareholder's equity** | | **211,698** | | **(3,013,649)** | | **14,969,154** | | | **12,167,203** |
| **Total Liabilities and Shareholders' Equity** | **$** | **217,774** | **$** | **14,194,801** | **$** | **13,015,000** | | **$** | **27,427,575** |

*See accompanying notes to the unaudited pro forma consolidated financial statements*

**CE Brands**
**Unaudited Pro Forma Consolidated Statement of Loss and Comprehensive Loss**
**For the three month period ended November 30, 2020**

*(expressed in Canadian Dollars)*

| | CE Brands | eBuyNow Three months ended December 31, 2020 | Pro Forma Adjustments | Notes | Pro Forma Balance |
|---|---|---|---|---|---|
| Revenue | $ - | $ 3,005,336 | $ - | | $ 3,005,336 |
| Cost of products and services | - | 2,743,016 | - | | 2,743,016 |
| **Gross Profit** | **-** | **262,320** | **-** | | **262,320** |
| **Expenses** | | | | | |
| Marketing | - | 394,343 | - | | 394,343 |
| Selling and distribution | - | 360,931 | - | | 360,931 |
| Wages and contractors | - | 747,528 | - | | 747,528 |
| Royalties and license fees | - | 127,561 | - | | 127,561 |
| Technology and related | - | 11,732 | - | | 11,732 |
| Professional fees | - | 359,395 | - | | 359,395 |
| General and administrative | 874 | 624,612 | - | | 625,486 |
| Filing fees | 45,539 | - | - | | 45,539 |
| Depreciation | - | 63,382 | - | | 63,382 |
| Amortization | - | 238,845 | - | | 238,845 |
| Stock-based compensation | - | 52,598 | - | | 52,598 |
| Loss (gain) on foreign exchange | - | 12,182 | - | | 12,182 |
| **Operating Loss** | **(46,413)** | **(2,730,789)** | **-** | | **(2,777,202)** |
| Finance costs | - | (877,283) | - | | (877,283) |
| Loss on warrant obligation settlement | - | (17,546) | | | (17,546) |
| **Loss before income tax** | **(46,413)** | **(3,625,618)** | **-** | | **(3,672,031)** |
| Income tax expense (recovery) | - | - | - | | - |
| **Net loss** | **(46,413)** | **(3,625,618)** | **-** | | **(3,672,031)** |
| **Other comprehensive loss for the year** | | | | | |
| Loss on translation of foreign operations that may be subsequently reclassified to profit and loss | - | **(348,894)** | - | | (348,894) |
| **Total comprehensive loss** | **$ (46,413)** | **$ (3,974,512)** | **$ -** | | **$ (4,020,925)** |
| Pro forma net loss per share | | | | | (0.17) |
| Pro forma weighted average number of common shares outstanding | | | | | 21,911,972 |

*See accompanying notes to the unaudited pro forma consolidated financial statements*

**CE Brands**
**Unaudited Pro Forma Consolidated Statement of Loss and Comprehensive Loss**
**For the nine month period ended November 30, 2020**

*(expressed in Canadian Dollars)*

| | CE Brands | eBuyNow nine months ended December 31, 2020 | Pro Forma Adjustments | Notes | Pro Forma Balance |
|---|---|---|---|---|---|
| Revenue | $ - | $ 7,960,884 | $ - | | $ 7,960,884 |
| Cost of products and services | - | 6,392,085 | - | | 6,392,085 |
| **Gross Profit** | **-** | **1,568,799** | **-** | | **1,568,799** |
| **Expenses** | | | | | |
| Marketing | - | 1,484,821 | - | | 1,484,821 |
| Selling and distribution | - | 978,700 | - | | 978,700 |
| Wages and contractors | - | 2,495,716 | - | | 2,495,716 |
| Royalties and license fees | - | 530,448 | - | | 530,448 |
| Technology and related | - | 309,638 | - | | 309,638 |
| Professional fees | - | 917,957 | - | | 917,957 |
| General and administrative | 18,457 | 774,432 | - | | 792,889 |
| Filing fees | 66,324 | - | - | | 66,324 |
| Depreciation | - | 188,317 | - | | 188,317 |
| Amortization | | 855,178 | - | | 855,178 |
| Stock-based compensation | - | 291,902 | - | | 291,902 |
| Loss (gain) on foreign exchange | - | 110,318 | - | | 110,318 |
| **Operating Loss** | **(84,781)** | **(7,368,628)** | **-** | | **(7,453,409)** |
| Finance costs | - | (3,287,792) | - | | (3,287,792) |
| Loss on warrant obligation settlement | - | (273,084) | | | (273,084) |
| **Loss before income tax** | **(84,781)** | **(10,929,504)** | **-** | | **(11,014,285)** |
| Income tax expense (recovery) | - | - | - | | - |
| **Net loss** | **(84,781)** | **(10,929,504)** | **-** | | **(11,014,285)** |
| **Other comprehensive loss for the year** | | | | | |
| Gain on translation of foreign operations that may be subsequently reclassified to profit and loss | - | **(856,528)** | - | | (856,528) |
| **Total comprehensive loss** | **$ (84,781)** | **$ (11,786,032)** | **$ -** | | **$ (11,870,813)** |
| Pro forma net loss per share | | | | | (0.50) |
| Pro forma weighted average number of commons shares outstanding | | | | | 21,911,972 |

*See accompanying notes to the unaudited pro forma consolidated financial statements*

**CE Brands**
**Unaudited Pro Forma Consolidated Statement of Loss and Comprehensive Loss**
**For the year ended February 29, 2020**

*(expressed in Canadian Dollars)*

| | CE Brands | eBuyNow year ended March 31, 2020 | Pro Forma Adjustments | Notes | Pro Forma Balance |
|---|---|---|---|---|---|
| Revenue | $ - | $ 7,299,077 | $ - | | $ 7,299,077 |
| Cost of products and services | - | 5,455,576 | - | | 5,455,576 |
| **Gross Profit** | **-** | **1,843,501** | **-** | | **1,843,501** |
| **Expenses** | | | | | |
| Marketing | - | 2,369,738 | - | | 2,369,738 |
| Selling and distribution | - | 778,663 | - | | 778,663 |
| Wages and contractors | - | 3,009,488 | - | | 3,009,488 |
| Royalties and license fees | - | 967,592 | - | | 967,592 |
| Technology and related | - | 269,538 | - | | 269,538 |
| Professional fees | 229,766 | 1,243,902 | - | | 1,473,668 |
| General and administrative | 19,715 | 605,476 | - | | 625,191 |
| Depreciation | - | 270,775 | - | | 270,775 |
| Amortization | - | 1,204,358 | - | | 1,204,358 |
| Stock-based compensation | 71,153 | 694,627 | - | | 765,780 |
| Gain on foreign exchange | - | (307,921) | - | | (307,921) |
| Listing expense | - | - | 1,394,949 | 2 (a) | 1,394,949 |
| **Operating Loss** | **(320,634)** | **(9,262,735)** | **(1,394,949)** | | **(10,978,318)** |
| Finance costs | - | (1,195,602) | - | | (1,195,602) |
| Other income (expense) | - | - | - | | - |
| **Loss before income tax** | **(320,634)** | **(10,458,337)** | **(1,394,949)** | | **(12,173,920)** |
| Income tax expense (recovery) | - | - | - | | - |
| **Net loss** | **(320,634)** | **(10,458,337)** | **(1,394,949)** | | **(12,173,920)** |
| **Other comprehensive loss for the year** | | | | | |
| Gain on translation of foreign operations that may be subsequently reclassified to profit and loss | - | **609,210** | - | | 609,210 |
| **Total comprehensive loss** | **$ (320,634)** | **$ (9,849,127)** | **$ (1,394,949)** | | **$ (11,564,710)** |
| Pro forma net loss per share | | | | | (0.56) |
| Pro forma weighted average number of common shares outstanding | | | | | 21,911,972 |

*See accompanying notes to the unaudited pro forma consolidated financial statements*

**CE Brands**
**Notes to the Unaudited Pro Forma Consolidated Financial Statements**
**As at August 31, 2020**
*(expressed in Canadian Dollars)*

## 1. BASIS OF PREPARATION

The accompanying unaudited pro forma consolidated statement of financial position ("Pro Forma Statement") has been prepared to reflect the amalgamation of a wholly-owned subsidiary of CE Brands Inc. ("CE Brands") and eBuyNow eCommerce Ltd. ("EBN" or the "Company") will amalgamate under the laws of British Columbia and continue as one corporation (the "Amalgamation").

The Pro Forma Statement of CE Brands has been presented as if the Amalgamation had been completed on November 30, 2020. The Pro Forma Consolidated Statement of Loss and Comprehensive Loss for the year ended February 29, 2020 and for the three months ended November 30, 2020 and for the nine months ended November 30, 2020 ("Pro Forma Income Statements") have been prepared as if the transaction occurred at March 1, 2019. The Pro Forma Statement and Pro Forma Income Statements to which these notes relate has been prepared for inclusion in the prospectus of CE Brands (the "Prospectus") to be filed by CE Brands in conjunction with the Amalgamation described in note 2. The Pro Forma consolidated financial statements of CE Brands ("Pro Forma Financial Statements") comprise the Pro Forma Statement, Pro Forma Income Statements and notes to the Pro Forma consolidated financial statements.

These unaudited Pro Forma Financial Statements have been prepared by management from information derived from and should be read in conjunction with the following historical financial statements and accompanying notes of CE Brands and EBN, for the applicable periods:

- EBN unaudited condensed interim consolidated financial statements for the three and nine month periods ended December 31, 2020;
- EBN consolidated financial statements for the year ended March 31, 2020;
- CE Brands unaudited condensed interim consolidated financial statements for the three and nine month periods ended November 30, 2020;
- CE Brands consolidated financial statements for the year ended February 29, 2020.

It is management's opinion that these Pro Forma Financial Statements include all adjustments necessary for the fair presentation of the transactions described herein and are in accordance with recognition and measurement principles of International Financial Reporting Standards ("IFRS") applied on a basis consistent with the Company's accounting policies. The unaudited pro forma consolidated financial statements are presented for informational purposes only. The Pro Forma Statement is not intended to reflect the financial position of CE Brands which would have actually resulted had the transactions been effected on the dates indicated. The Pro Forma Income Statements are not intended to reflect the statements of loss and comprehensive loss for CE Brands which would have actually resulted had the transactions been effected on the dates indicated. Actual amounts recorded upon consummation of the transactions will differ from those recorded in the unaudited pro forma consolidated statement of financial position and the differences may be material. The pro forma assumptions and adjustments in the notes to the Pro Forma Statement and allocations of the purchase price of CE Brands by EBN as a reverse takeover transaction are based in part on estimates of the fair value of the assets acquired and the liabilities assumed. The final valuation will be based on the actual assets and liabilities of CE Brands that exist as of the date of completion of the Amalgamation. The accounting policies used for the preparation of the Pro Forma Financial Statements are consistent with those disclosed in the audited financial statements of EBN as at March 31, 2020.

The pro forma consolidated financial statements do not include all of the information and disclosures required by IFRS for annual financial statements and should be read in conjunction with the financial statements of CE Brands, and the financial statements of EBN that are incorporated by reference or included herein. The Pro Forma Financial Statements are presented in Canadian Dollars, unless otherwise stated.

## 2. AMALGAMATION AND PRO FORMA ADJUSTMENTS AND ASSUMPTIONS

<u>Amalgamation</u>

On January 28, 2021, CE Brands and EBN entered into an Amended and Restated Amalgamation Agreement (the "Amalgamation Agreement") in connection with the Amalgamation. Pursuant to the Amalgamation Agreement:

- The full corporate name of the resulting issuer will be "CE Brands Inc" (the "Resulting Issuer");
- The common shares of CE Brands will be consolidated on a 20.75-for-one basis into shares of the Resulting Issuer; and
- The class "A" common voting shares of EBN (the "EBN Shares") will be consolidated on a five-for-one basis;
- A wholly-owned subsidiary of CE Brands and EBN shall amalgamate under the British Columbia Business Corporations Act (BCBCA) and continue as one corporation;
- Pursuant to the amalgamation, the holders of EBN Shares will exchange those EBN Shares for Resulting Issuer shares on a one-for-one basis

Although the Amalgamation will result in EBN becoming a wholly-owned subsidiary of CE Brands, it will constitute a reverse takeover ("RTO") for accounting purposes as the former EBN shareholders will own a substantial majority of the common shares of the Resulting Issuer and all members of the Board of Directors and management of the Resulting Issuer will be designees of EBN. Upon completion of the Amalgamation, the business of the Company will be the continuation of the business of EBN. Completion of the Amalgamation is subject to various conditions, including, but not limited to, receipt of approval of the TSX Venture Exchange (the "TSXV").

Pro Forma Adjustments

The Pro Forma Financial Statements have been prepared to reflect the following assumptions and adjustments:

a) The acquisition of EBN by CE Brands is expected to be effected by way of a three-cornered amalgamation, whereby EBN will amalgamate with a wholly-owned subsidiary of CE Brands, and will continue to carry on the business of EBN. Legally, CE Brands will be the parent of EBN. However, as a result of the Amalgamation, control of the combined companies will pass to the former shareholders of EBN in a share exchange referred to as an RTO. The legal acquisition of EBN by CE Brands constitutes a reverse asset acquisition for accounting purposes as EBN is identified as the acquirer and CE Brands does not meet the definition of a business, as defined in IFRS 3, Business Combinations.

In accordance with reverse acquisition accounting:

(i) The assets and liabilities of EBN are included in the Pro Forma Statement at their carrying values; and
(ii) The net assets of CE Brands are included at their fair value which is equal to the carrying value of the net assets given the current nature of the net assets. The difference between the estimated fair value of the EBN shares issued to CE Brands shareholders less the net fair value of the assets of CE Brands acquired is recorded as an expense. The carrying amount of CE Brands equity is eliminated.

Fair value of net assets acquired:

| **Net assets acquired** | | **November 30, 2020** |
|---|---|---|
| Cash | $ | 182,774 |
| Accounts payable and accruals | | (6,076) |
| Total net assets acquired | | 176,698 |
| | | |
| **Consideration** | | |
| Fair value of 414,458 common shares of CE Brands (1) | | 1,428,559 |
| Fair value of 41,445 stock options of CE Brands (1) | | 92,273 |
| Fair value of 24,096 IPO options of CE Brands (1) | | 50,814 |
| Total consideration | | 1,571,647 |
| | | |
| **Listing expense** | $ | (1,394,949) |

(1) CE Brands consolidated its outstanding share capital on a 20.75-for-one basis from 8,600,000 to 414,458; outstanding stock options from 860,000 to 41,445 and outstanding IPO options from 500,000 to 24,096.

For the purpose of this Pro Forma Statement and Pro Forma Income Statements, the fair value of CE Brands common shares has been calculated using the fair value of $3.80 per common share (subscription price of $4.15 less one common share purchase warrant value of $0.70); the fair value of CE Brands 41,445 stock options and 24,096 IPO options is based on the black-scholes option pricing model using the following assumptions, respectively: risk-free rate of 0.41%; expected volatility of 28%; exercise price of $2.075; market price of $4.15; time to expiry of 60 and 24 months, respectively; estimated forfeiture rate of 0%; and a dividend yield of 0%.

b) CE Brands has entered into an agreement for an offering (the “Public Offering”) to be completed prior to the Amalgamation, whereby CE Brands will conduct a public offering of unit subscription receipts (“Subscription Receipts”), whereby CE Brands intends to sell a minimum of 3,614,457 Subscription Receipts for gross proceeds of $15,000,000 (the “Minimum Offering”). CE Brands has granted the agents an option to offer up to an 542,169 Subscription Receipts, solely to cover over-allotments, if any. Each Subscription Receipt consists of one common share in the capital of CE Brands (“CE Brands Share”) and one common share purchase warrant of CE Brands (“Public Offering Warrant”). Each Public Offering Warrant entitles the holder to purchase one additional CE Brands Share, for a purchase price of $7.50 per CE Brands Share, for a period of 24 months following the date on which the Public Offering Warrant was issued. The agents under the Public Offering will receive a cash commission (the “Agents’ Commission”) equal to 8% of the gross proceeds of the Public Offering and will be granted irrevocable non-transferable options (the “Agents’ Options”) entitling the agents to purchase that number of share of the Resulting Issuer equal to 8% of the aggregate number of Subscription Receipts sold pursuant to the Public Offering. These pro forma financial statements have been prepared on the basis of a Public Offering of $15,000,000.

The Public Offering Warrants have been valued at $2,541,641, using a black-scholes option pricing model with the following assumptions: risk-free rate of 0.41%; expected volatility of 76%; exercise price of $7.50; market price of $3.45; time to expiry of 24 months; estimated forfeiture rate of 0%; and a dividend yield of 0%. The fair value of the Public Offering Warrants has been offset against equity. The Agents' Options have been valued at $293,654, using a black-scholes option pricing model with the following assumptions: risk-free rate of 0.41%; expected volatility of 91%; exercise price of $4.15; market price of $3.45; time to expiry of 12 months; estimated forfeiture rate of 0%; and a dividend yield of 0%. The fair value of the Public Offering Warrants and Agents' Options has been offset against equity.

The agents under the Public Offering will receive cash commissions of $1,200,000 (assuming maximum offering, excluding over-allotment option) and costs associated with the Public Offering to be paid in cash are estimated to be $750,000 ("Public Offering Costs"). The net proceeds from the Public Offering, after deducing Public Offering Costs is $13,050,000 and the net increase to share capital is $10,214,706.

c) At the date of the pro forma transaction, $2,015,000 aggregate principal amount of notes of EBN ("EBN Convertible Notes") are outstanding. Each bears interest at the rate of 8.5% per annum, is convertible into EBN Shares at a conversion price ranging from $0.375 to $0.50 per EBN share, and matures 24 months following the date on which the EBN Convertible Notes was issued. Immediately before the EBN Consolidation, EBN will convert $2,015,000 aggregate principal amount of EBN Convertible Notes into an aggregate of 4,933,333 EBN Shares. The net increase to share capital is $2,428,702.

Included in this pro forma adjustment is $2,015,000 aggregate principal amount relating to actual conversions of EBN Convertible Notes between January 1, 2021 and March 15, 2021, EBN will convert this aggregate principal amount of EBN Convertible Notes into an aggregate of 4,933,333 EBN Shares.

## 3. PRO FORMA SHARE CAPITAL

After giving effect to the pro forma adjustments and assumptions in Note 2, the pro forma share capital of CE Brands has been determined as follows:

| | Notes | Number of shares | Amount ($) |
|---|---|---|---|
| Opening balance shares for CE Brands | 2 (a) | 8,600,000 | $ 516,622 |
| Elimination of CE Brands shares (20.75 to 1 consolidation) | 2 (a) | (8,185,542) | - |
| Opening balance shares for EBN | 2 (a) | 84,481,951 | 16,741,481 |
| Elimination of EBN shares (5 to 1 consolidation) | 2 (a) | (67,585,561) | - |
| EBN Convertible Notes converted to EBN shares | 2 (c) | 4,933,333 | 2,428,702 |
| Elimination of EBN shares (5 to 1 consolidation) | 2 (c) | (3,946,667) | - |
| Elimination of CE Brands share capital | 2 (a) | - | (516,622) |
| Consideration transferred to shareholders of CE Brands | 2 (a) | - | 1,428,559 |
| Shares issued in connection with public offering | 2 (b) | 3,614,457 | 10,214,706 |
| | | 21,911,972 | $ 30,813,448 |

## 4. INCOME TAXES

The pro forma effective income tax applicable to the consolidated operation will be 27%.

**SCHEDULE C**

UNAUDITED FINANCIAL STATEMENTS OF THE CORPORATION FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2020

See attached.

# CE Brands Inc.

## Condensed Interim Consolidated Financial Statements

*For the three and nine months ended November 30, 2020*

*(unaudited)*

# CE Brands Inc.
## Condensed Interim Consolidated Statements of Financial Position

*As at:*

| | | **November 30, 2020 (Unaudited)** | | February 29, 2020 (Audited) |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash | **$** | **182,774** | $ | 267,631 |
| Deferred financing costs *(Note 1)* | | **35,000** | | 35,000 |
| **Total assets** | **$** | **217,774** | $ | 302,631 |
| **Liabilities** | | | | |
| **Current** | | | | |
| Accounts payable and accruals | **$** | **6,076** | $ | 6,152 |
| **Shareholders' Equity** | | | | |
| Share capital *(Note 4)* | **$** | **516,622** | $ | 516,622 |
| Contributed surplus | | **100,491** | | 100,491 |
| Deficit | | **(405,415)** | | (320,634) |
| Total shareholders' equity | | **211,698** | | 296,479 |
| **Total liabilities and shareholders' equity** | **$** | **217,774** | $ | 302,631 |

**Qualifying transaction** (*Note 1)*

**Approved on behalf of the Board of Directors**

*"signed" David Henderson*
**Director**

*"signed" Brian Prokop*
**Director**

*The accompanying notes are an integral part of these condensed interim consolidated financial statements*

# CE Brands Inc.

## Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss

*For the three and nine months ended November 30,*
*(Unaudited)*

| | **For the three months ended November 30, 2020** | For the three months ended November 30, 2019 | **For the nine months ended November 30, 2020** | For the nine months ended November 30, 2019 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Share-based compensation *(Note 4)* | **-** | - | **-** | 71,153 |
| General and administrative | **874** | 3,596 | **18,457** | 9,994 |
| Filing fees | **45,539** | 82,952 | **66,324** | 195,782 |
| **Net loss and comprehensive loss** | **46,414** | 86,548 | **84,781** | 276,929 |
| | | | | |
| **Net loss per share:** | | | | |
| Basic and diluted | **(0.01)** | (0.02) | **(0.02)** | (0.08) |
| | | | | |
| **Weighted shares outstanding** *(Note 4)* | **5,000,000** | 5,000,000 | **5,000,000** | 3,618,182 |

*The accompanying notes are an integral part of these condensed interim consolidated financial statements*

# CE Brands Inc.

## Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

*(Unaudited)*

| | Share Capital ($) | Contributed Surplus ($) | Deficit ($) | Shareholders' Equity ($) |
|---|---|---|---|---|
| As at February 28, 2019 | 180,000 | - | - | 180,000 |
| Share issuance, net of costs *(Note 4)* | 353,204 | - | - | 353,204 |
| Share-based compensation *(Note 4)* | - | 71,153 | - | 71,153 |
| Agent warrants *(Note 4)* | (29,338) | 29,338 | - | - |
| Net loss | - | - | (276,929) | (276,929) |
| As at November 30, 2019 | 503,866 | 100,491 | (276,929) | 327,428 |
| | | | | |
| As at February 29, 2020 | 516,622 | 100,491 | (320,634) | 296,479 |
| Net loss | - | - | (84,781) | (84,781) |
| **As at November 30, 2020** | **516,622** | **100,491** | **(405,415)** | **211,698** |

*The accompanying notes are an integral part of these condensed interim consolidated financial statements*

# CE Brands Inc.
## Condensed Interim Consolidated Statements of Cash Flows
*For the nine months ended November 30,*

| **Cash provided by the following activities:** | | **2020** | | 2019 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net loss | **$** | **(84,781)** | $ | (276,929) |
| Share-based compensation *(Note 4)* | | **-** | | 71,153 |
| Change in non-cash working capital: | | | | |
| Accounts payable and accruals | | **(76)** | | 3,603 |
| Cash flows used in operating activities | **$** | **(84,857)** | $ | (202,173) |
| **Financing activities** | | | | |
| Deferred financing costs | | **-** | | 15,067 |
| Issuance of common shares *(Note 4)* | **$** | **-** | $ | 353,204 |
| Cash flows provided by financing activities | | **-** | | 368,271 |
| **Increase (decrease) in cash** | | **(84,857)** | | 166,098 |
| **Cash, beginning of period** | | **267,631** | | 132,135 |
| **Cash, end of period** | **$** | **182,774** | $ | 298,233 |

*The accompanying notes are an integral part of these condensed interim consolidated financial statements*

## 1. Incorporation and operations

CE Brands Inc. (the "Company") was incorporated on October 15, 2018 by Certificate of Incorporation issued pursuant to the provisions of the Canada Corporations Act. The Company is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules.

The head office and registered office of the Company is located at 1400, 350 7th Ave SW Calgary, Alberta, T2P3N9.

On May 15, 2019, the Company completed an initial public offering (the "IPO") of 5,000,000 common shares, at a price of $0.10 per common share, for gross proceeds of $500,000. The Company's common shares commenced trading on May 23, 2019, under the symbol CEBI.P.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing.

There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company's shares from trading.

*Qualifying transaction*

During the year ended February 29, 2020, the Company entered into a non-binding letter of intent in respect of a proposed business combination (the "Transaction") with an unrelated party, eBuyNow eCommerce Ltd. ("EBN") and an equity financing.

As part of the Transaction, it is anticipated that the Company will:

- Complete an offering of securities for gross proceeds of approximately $10,000,000; and,
- Consolidate all of its issued and outstanding shares on the basis of 10:1.

To affect the Transaction, each shareholder of EBN will receive five common shares, options and warrants of the Company for each EBN common, share option and warrant held. The issuance of the Company's common shares to the shareholders of EBN will result in a reverse takeover of the Company by EBN. In connection with the Transaction, the Company paid $35,000 retainer to the agent conducting the offering of securities. The Transaction is subject to shareholder, completion of the equity financing, TSX Venture and other regulatory approvals.

The current challenging economic climate relating to the effect of the Coronavirus (COVID-19) may lead to challenges in managing cash flows and the ability to raise capital. These items may have a direct adverse impact on the Company's ability to close the Transaction.

## 2. Basis of preparation

***Statement of compliance***

The condensed interim consolidated financial statements were prepared in accordance with IAS 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") in effect at March 1, 2020. These condensed interim consolidated financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended February 28, 2020.

These condensed interim consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on January 27, 2021.

## 2. Basis of preparation *(continued)*

### *Basis of measurement*

These condensed interim consolidated financial statements are stated in Canadian dollars, which is also the functional currency of the Company and its subsidiary, and were prepared on a going concern basis, under the historical cost convention except for certain financial instruments that have been measured at fair value.

### *Consolidation*

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, 1233336 B.C. Ltd. The Company has consolidated the assets, liabilities and expenses of its subsidiary after the elimination of inter-company transactions and balances. The subsidiary was incorporated on December 11, 2019 and the principal business is to facilitate the Company's qualifying transaction (Note 1).

### *Use of estimates and judgments*

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. These condensed interim consolidated financial statements have been prepared using the same estimates and judgments as reported in the Company's February 28, 2020 annual financial statements.

## 3. Significant accounting policies

These condensed interim consolidated financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as the annual consolidated financial statements for the year ended February 28, 2020.

## 4. Share capital

Authorized:

Unlimited number of voting Common Shares
Unlimited number of Preferred shares issuable in series

Issued: Common Shares

| | Number of Shares | $ |
|---|---|---|
| As at February 29, 2020 and November 30, 2020 | 8,600,000 | 516,622 |

There are 3,600,000 common shares held in escrow whereby 10% of the common shares will be released from escrow upon the issuance of the Final Exchange Bulletin and an additional 15% will be released on each six-month anniversary thereafter unless otherwise permitted by the Exchange.

These common shares, which are considered contingently issuable until the Company completes a qualifying transaction as defined under the policies of the Exchange, are not considered to be outstanding for the purpose of the net loss per share calculation.

## 4. Share capital *(continued)*

### Stock option plan

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX Venture (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company nontransferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares. The Stock Option Plan provides that options shall be exercisable for the duration set out in the individual option agreements, which in no event shall exceed ten (10) years from the date such options are granted. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of TSX Venture.

The following is a summary of the changes in the Company's Stock Option Plan:

| | Number of options outstanding | Number of options exercisable | Weighted average life (years) | Exercise Price |
|---|---|---|---|---|
| As at February 28, 2020 | 860,000 | 860,000 | 4.21 | $0.10 |
| **As at November 30, 2020** | **860,000** | **860,000** | **3.71** | **$0.10** |

### Warrants

| | Number of warrants outstanding | Weighted average life (years) | Exercise Price |
|---|---|---|---|
| As at February 28, 2020 | 500,000 | 1.21 | $0.10 |
| **As at November 30, 2020** | **500,000** | **0.71** | **$0.10** |

## 5. Related party transactions

Key management personnel consist of officers and directors of the Company. No compensation was paid to key management personnel during the three and nine months ended November 30, 2020.

## 6. Capital disclosures

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,

ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at period-end.

## 7. Financial instruments

The Company, as part of its operations, carries financial instruments consisting of cash and accounts payable and accruals. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

### Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount of cash and account payable and accruals approximates its fair value due to the short-term maturities of these items.

### Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations and arises from the Company’s cash balance. The Company believes it has no significant credit risk associated with cash held as it is held in a lawyer’s trust account with a major Canadian law firm.

### Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at November 30, 2020, the Company had a cash balance of $182,774 (February 29, 2020 - $267,631) to settle liabilities of $6,076 (February 29, 2020 - $6,152).

### Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i. Interest rate risk

The Company has no interest-bearing debt.

ii. Foreign currency risk

The Company does not have assets or liabilities in foreign currency.

iii. Commodity risk

The Company is not exposed to commodity price risk.

**SCHEDULE D**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CORPORATION FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2020

See attached.

**CE BRANDS INC.**

**MANAGEMENT'S DISCUSSION & ANALYSIS**
**FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2020**

January 28, 2021

## Introduction

We, the management of CE Brands Inc. (the "**Corporation**"), are providing this management's discussion and analysis (this "**MD&A**") to enable you to evaluate the financial performance of the Corporation for the three and nine months ended November 30, 2020. We recommend that you read this MD&A together with the condensed interim consolidated financial statements of the Corporation for the three and nine months ended November 30, 2020 (the "**Financial Statements**"), which we prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. Copies of the Financial Statements are available on SEDAR at www.sedar.com.

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 securities legislation. In general, forward-looking information refers to disclosure about future conditions, courses of action, and events. The use of any of the words "anticipates", "expects", "intends", "will", "would", and similar expressions are intended to identify forward-looking information. More particularly and without limitation, this MD&A contains forward looking information concerning the completion of the Public Offering (as defined below) and the Proposed Transaction (as defined below). The forward-looking information is based on certain key expectations and assumptions made by the Corporation about its ability to complete the Public Offering and Proposed Transaction. Although the Corporation 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 Corporation can give no assurance that they will prove to be accurate. By its nature, forward-looking information is subject to various risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed in this MD&A. These risks and uncertainties are stated in the section entitled "Risk Factors". Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date of this MD&A, and to not use such forward-looking information for anything other than its intended purpose. The Corporation 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 legislation.

## Description of the Business

On October 15, 2018, the Corporation was incorporated under the *Business Corporations Act* (Alberta) for the purpose of becoming a CPC, as that term is defined in the policies of the TSX Venture Exchange (the "**Exchange**"). A CPC is not permitted to carry on any business except identifying and evaluating assets or businesses with a view to completing a Qualifying Transaction, as that term is defined in the policies of the Exchange.

On May 15, 2019, the Corporation completed an initial public offering (the "**IPO**") of 5,000,000 common shares, at a price of $0.10 per common share, for gross proceeds of $500,000, and on May 23, 2019, the common shares began trading on the Exchange under the symbol "CEBI.P".

On June 17, 2019, the Corporation and eBuyNow eCommerce Ltd. ("**EBN**"), a privately-held company that

develops, manufactures, and distributes consumer electronics in partnership with globally-recognized brands, entered into a non-binding letter of intent, which set out the terms under which the Corporation would be prepared to acquire all the outstanding securities of EBN. The Exchange halted trading in the Corporation's shares subsequent to the Corporation's announcement of the proposed acquisition.

On March 12, 2020 the Corporation, 1233336 B.C. Ltd. ("**CEBI Subsidiary**"), a wholly-owned subsidiary of the Corporation, and EBN entered into an amalgamation agreement (the "**Amalgamation Agreement**"), pursuant to which the Corporation will acquire all of the issued and outstanding securities of EBN (the "**Proposed Transaction**"). On March 27, 2020, the Corporation and EBN executed an amendment to the Amalgamation Agreement to reflect the termination of a proposed private placement intended to be completed in connection with the Proposed Transaction. The Proposed Transaction is intended to constitute the Qualifying Transaction of the Corporation.

The Amalgamation Agreement provides that the Corporation will acquire all of the issued and outstanding securities of EBN by way of a three-cornered amalgamation. More specifically, the Corporation will consolidate all of its issued and outstanding common shares on a five-for-one basis (the "**Consolidation**") and EBN and CEBI Subsidiary will amalgamate and continue as one corporation (the "**Amalgamation**"). Pursuant to the Amalgamation, all of the issued and outstanding common shares of EBN will be exchanged for post-Consolidation common shares of the Corporation on a one-for-one basis, all of the issued and outstanding options to purchase common shares of EBN will be exchanged for options to purchase post-Consolidation common shares of the Corporation on a one-for-one basis, and all of the issued and outstanding common share purchase warrants of EBN will be exchanged for warrants to purchase post-Consolidation common shares of the Corporation on a one-for-one basis.

On April 2, 2020, the Corporation and EBN announced that they intend to conduct a proposed public offering of subscription receipts of the Corporation, for maximum gross proceeds of approximately C$10,000,000 (the "**Public Offering**"). Each subscription agreement will entitle the holder of the subscription receipt to receive, without payment of additional consideration and without any further action, one common share of the Corporation upon the satisfaction of the conditions precedent to the Proposed Transaction. On October 13, 2020, the Corporation and EBN increased the maximum gross proceeds of the Offering to C$15,000,000.

The Corporation has not received acceptance from the Exchange for the Proposed Transaction or the Public Offering. There can be no assurance that the Proposed Transaction or the Public Offering will be completed as proposed or at all.

**Selected Financial Information**

The following table summarizes certain financial data derived from the Financial Statements:

| | **Three months ended November 30, 2020** | **Three months ended November 30, 2019** |
|---|---:|---:|
| Assets | $217,774 | $342,546 |
| Liabilities | $6,076 | $15,118 |
| Revenue | $- | $- |
| Expenses | $46,414 | $86,548 |
| Net loss and comprehensive loss | $46,414 | $86,548 |
| Basic and diluted loss per share | $(0.01) | $(0.02) |

**Additional Disclosure for Venture Issuers without Significant Revenue**

Additional disclosure regarding the financial information is available in the Consolidated Statements of Net

Loss and Comprehensive Loss presented in the Financial Statements.

**Discussion of Operations**

The Corporation has not conducted any business except with a view to completing a Qualifying Transaction.

**Summary of Quarterly Results**

| As at | November 30, 2020 | August 31, 2020 | May 31, 2020 | February 29, 2020 | November 30, 2019 | August 31, 2019 | May 31, 2019 |
|---|---|---|---|---|---|---|---|
| Revenue | $- | $- | $- | $- | $- | $- | $- |
| Expenses | $46,414 | $22,150 | $16,217 | $43,706 | $86,548 | $116,727 | $73,653 |
| Net loss and comprehensive loss | $46,414 | $22,150 | $16,217 | $43,706 | $86,548 | $116,727 | $73,653 |
| Basic and diluted loss per share | $(0.01) | $(0.00) | $(0.00) | $(0.02) | $(0.02) | $(0.02) | $0.02 |

During the three months ended November 30, 2020, the Corporation incurred legal and transaction costs in connection with the Proposed Transaction.

**Liquidity and Capital Resources**

As at November 30, 2020, the Corporation had working capital of $211,698, which is being held in trust by legal counsel for the Corporation. The Corporation had a cash balance of $182,774 and $35,000 in deferred financing costs to settle liabilities of $6,076.

The Corporation funds its activities through equity financing and believes that the Corporation has sufficient cash to meet its ongoing obligations and sufficient further resources to be able to identify and evaluate assets or businesses with a view to completing a Qualifying Transaction. However, upon completion of a Qualifying Transaction, additional capital may be necessary.

The Corporation has not pledged any of its assets as security for loans, or otherwise, and has no long-term debt. The Corporation did not have any capital expenditures as at November 30, 2020.

**Off-Balance Sheet Arrangements**

The Corporation does not have any off-balance sheet arrangements.

**Transactions Between Related Parties**

During the three months ended November 30, 2020, the Corporation did not engage in any transactions with related parties.

**Critical Accounting Estimates and Changes in Accounting Policies**

The significant accounting policies of the Corporation and the adoption of new accounting policies by the Corporation are disclosed in the Financial Statements.

**Outstanding Share Data**

As of the date of this MD&A, the following equity or voting securities, and securities the are convertible into, or exercisable or exchangeable for, voting or equity securities, of the Corporation were outstanding:

| | Authorization | Outstanding |
|---|---|---|
| Common Shares | Unlimited | 8,600,000 |
| Stock Options | Stock options to purchase that number of common shares equal to a maximum of 10% of the outstanding common shares at the time of any stock option grant | 860,000 |
| Agent Warrants | Agent's warrants to purchase up to 500,000 common shares that were issued in connection with the IPO | 500,000 |

**Financial Instruments and Other Instruments**

The financial instruments of the Corporation consist of cash and accounts payable and accrued liabilities. In our opinion, the Corporation is not exposed to significant interest, currency, or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values, as applicable.

**Risk Factors**

We believe the following risk factors relating to the Corporation and its business would be likely to influence the decision of a prospective investor to purchase securities of the Corporation:

- The only business permitted to be undertaken by the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction.
- Until the completion of a Qualifying Transaction, a CPC must not carry on any business other than the identification and evaluation of assets or businesses with a view to a potential Qualifying Transaction.
- The Corporation has no material assets other than cash.
- The Corporation does not have a history of earnings, has never paid any dividends, and will not generate earnings or pay dividends until at least after the completion of the Qualifying Transaction.
- The Corporation has limited cash with which to identify and evaluate a potential Qualifying Transaction.
- We can give no assurance that the Corporation will be able to identify a potential Qualifying Transaction.
- Even if we identify a potential Qualifying Transaction, we can give no assurance that the Corporation will be able to complete the Qualifying Transaction.
- If we identify a potential Qualifying Transaction, the Corporation may require additional

cash to complete the Qualifying Transaction. If we raise cash by selling securities of the Corporation, your equity interest in the Corporation may be diluted.

- The Proposed Transaction is subject to a number of significant conditions, including approval from the Exchange, and the Corporation and EBN receiving approval for the Proposed Transaction from their respective shareholders. We can provide no assurance that some or all of these conditions will be satisfied.

**Additional Information**

Additional information relating to the Corporation is on SEDAR at www.sedar.com.

**SCHEDULE E**

AUDITED FINANCIAL STATEMENTS OF THE CORPORATION FOR THE YEAR ENDED FEBRUARY 29, 2020, AND THE PERIOD FROM OCTOBER 15, 2018 TO FEBRUARY 28, 2019

See attached.

# CE Brands Inc.

## Consolidated Financial Statements

*For the year ended February 29, 2020 and the*
*period from October 15, 2018 (date of incorporation) to February 28, 2019*

# Independent Auditor's Report

To the Shareholders of CE Brands Inc.:

**Opinion**

We have audited the consolidated financial statements of CE Brands Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at February 29, 2020 and February 28, 2019, and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended February 29, 2020 and for the period from October 15, 2019 (date of incorporation) to February 28, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at February 29, 2020 and February 28, 2019, and its consolidated financial performance and its consolidated cash flows for the year ended February 29, 2020 and for the period from October 15, 2018 to February 28, 2019 in accordance with International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

Management is responsible for the other information. The other information comprises Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Goverance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

MNP

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brad Frampton.

MNP LLP

Calgary, Alberta
June 29, 2020

Chartered Professional Accountants

MNP

# CE Brands Inc.
## Consolidated Statements of Financial Position
*As at February 29,*

| | | **2020** | | 2019 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash *(Note 6)* | **$** | **267,631** | $ | 132,135 |
| Deferred financing costs (Notes 1, 7) | | **35,000** | | 59,380 |
| **Total assets** | **$** | **302,631** | $ | 191,515 |
| **Liabilities** | | | | |
| **Current** | | | | |
| Accounts payable and accruals | **$** | **6,152** | $ | 11,515 |
| **Shareholders' Equity** | | | | |
| Share capital *(Note 7)* | **$** | **516,622** | $ | 180,000 |
| Contributed surplus | | **100,491** | | - |
| Deficit | | **(320,634)** | | - |
| Total shareholders' equity | | **296,479** | | 180,000 |
| **Total liabilities and shareholders' equity** | **$** | **302,631** | $ | 191,515 |

**Qualifying transaction** (*Note 1)*
**Subsequent event** *(Note 12)*

**Approved on behalf of the Board of Directors**

*"signed" David Henderson*
**Director**

*"signed" Brian Prokop*
**Director**

*The accompanying notes are an integral part of these consolidated financial statements*

# CE Brands Inc.

## Consolidated Statements of Net Loss and Comprehensive Loss

*For the year ended February 29, 2020 and the*
*period from October 15, 2018 (date of incorporation) to February 28, 2019*

| | | **2020** | | 2019 |
|---|---|---|---|---|
| **Expenses** | | | | - |
| Share-based compensation *(Note 7)* | | **71,153** | | - |
| Professional fees | | **229,766** | | - |
| General and administrative | | **19,715** | | - |
| **Net loss and comprehensive loss** | **$** | **(320,634)** | $ | - |
| | | | | |
| **Net loss per share:** | | | | |
| Basic and diluted | **$** | **(0.08)** | $ | - |
| | | | | |
| **Weighted shares outstanding** *(Note 7)* | | **3,958,904** | | - |

*The accompanying notes are an integral part of these consolidated financial statements*

# CE Brands Inc.
## Consolidated Statements of Changes in Shareholders' Equity

| | Share Capital ($) | Contributed Surplus ($) | Deficit ($) | Shareholders' Equity ($) |
|---|---|---|---|---|
| At incorporation October 15, 2018 | - | - | - | - |
| Net loss | - | - | - | - |
| Share issuance *(Note 7)* | 180,000 | - | - | 180,000 |
| As at February 28, 2019 | 180,000 | - | - | 180,000 |
| Share issuance, net of costs *(Note 7)* | 365,960 | - | - | 365,960 |
| Share-based compensation *(Note 7)* | - | 71,153 | - | 71,153 |
| Agent warrants *(Note 7)* | (29,338) | 29,338 | - | - |
| Net loss | - | - | (320,634) | (320,634) |
| **As at February 29, 2020** | **516,622** | **100,491** | **(320,634)** | **296,479** |

*The accompanying notes are an integral part of these consolidated financial statements*

# CE Brands Inc.
## Consolidated Statements of Cash Flows
*For the year ended February 29, 2020 and the*
*period from October 15, 2018 (date of incorporation) to February 28, 2019*

| **Cash provided by the following activities:** | | **2020** | | 2019 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net loss | **$** | **(320,634)** | $ | - |
| Share-based compensation *(Note 7)* | | **71,153** | | - |
| Change in non-cash working capital: | | | | |
| Accounts payable and accruals | | **(5,363)** | | 11,515 |
| Deferred financing costs | | **11,515** | | (11,515) |
| Cash flows used in operating activities | **$** | **(243,329)** | $ | - |
| **Financing activities** | | | | |
| Issuance of common shares *(Note 7)* | **$** | **425,340** | $ | 180,000 |
| Financing costs paid | | **(46,515)** | | (47,865) |
| Cash flows provided by financing activities | | **378,825** | | 132,135 |
| **Increase in cash** | | **135,496** | | 132,135 |
| **Cash, beginning of year** | | **132,135** | | - |
| **Cash, end of year** | **$** | **267,631** | $ | 132,135 |

*The accompanying notes are an integral part of these consolidated financial statements*

## 1. Incorporation and operations

CE Brands Inc. (the "Company") was incorporated on October 15, 2018 by Certificate of Incorporation issued pursuant to the provisions of the Canada Corporations Act. The Company is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules.

The head office and registered office of the Company is located at 1400, 350 7th Ave SW Calgary, Alberta, T2P3N9.

On May 15, 2019, the Company completed an initial public offering (the "IPO") of 5,000,000 common shares, at a price of $0.10 per common share, for gross proceeds of $500,000. The Company's common shares commenced trading on May 23, 2019, under the symbol CEBI.P.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing.

There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company's shares from trading.

*Qualifying transaction*

During the year ended February 29, 2020, the Company entered into a non-binding letter of intent in respect of a proposed business combination (the "Transaction") with an unrelated party, eBuyNow eCommerce Ltd. ("EBN") and an equity financing.

As part of the Transaction, it is anticipated that the Company will:

- Complete an offering of securities for gross proceeds of approximately $10,000,000; and,
- Consolidate all of its issued and outstanding shares on the basis of 10:1.

To affect the Transaction, each shareholder of EBN will receive five common shares, options and warrants of the Company for each EBN common, share option and warrant held. The issuance of the Company's common shares to the shareholders of EBN will result in a reverse takeover of the Company by EBN. In connection with the Transaction, the Company paid $35,000 retainer to the agent conducting the offering of securities.

The Transaction is subject to shareholder, completion of the equity financing, TSX Venture and other regulatory approvals.

## 2. Basis of preparation

***Statement of compliance***

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on June 29, 2020.

## 2. Basis of preparation *(continued)*

### *Basis of measurement*

These consolidated financial statements are stated in Canadian dollars, which is also the functional currency of the Company's and its subsidiary, and were prepared on a going concern basis, under the historical cost convention except for certain financial instruments that have been measured at fair value.

### *Consolidation*

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 1233336 B.C. Ltd. The Company has consolidated the assets, liabilities and expenses of its subsidiary after the elimination of inter-company transactions and balances. The subsidiary was incorporated on December 11, 2019 and the principal business is to facilitate the Company's qualifying transaction (Note 1).

### *Use of estimates and judgments*

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the consolidated financial statements are disclosed in Note 4.

## 3. Significant accounting policies

### *Cash*

Cash consists of the proceeds generated from share issuances, which is being held in trust by legal counsel for the Company.

### *Deferred financing costs*

Financing costs related to the Company's proposed financing are recorded as deferred financing costs. These costs will be deferred until the completion of the related financing, at which time the costs will be charged against the proceeds received. If the financing does not close, the costs will be charged to the consolidated statement of net loss and comprehensive loss.

### *Share-based payments*

The Company applies a fair value-based method of accounting to all share-based payments. Employee and director stock options are measured at the fair value of each tranche on the grant date and recognized over its respective vesting period. Non-employee stock options are measured based on the service provided to the reporting date and at their then-current fair values. The cost of stock options is presented as share-based payment expense when applicable with a corresponding credit to contributed surplus. On the exercise of stock options share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

## 3. Significant accounting policies *(continued)*

***Taxes***

Tax expense comprises current and deferred tax. Tax is recognized in the statement of net loss and comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

*Current tax*

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

*Deferred tax*

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

***Classification and measurement of financial instruments***

The Company measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets, is determined by the context of the Company's business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through profit and loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI").

***Amortized cost***

The Company classifies its accounts payable and accruals as measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

***FVTPL***

Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Cash is included in this category.

***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

## 3. Significant accounting policies *(continued)*

***Impairment of financial assets***

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month expected credit losses ("ECL"): these are ECLs that result from possible default events within the 12 months after the reporting period; and,
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount which approximates the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held). ECL allowances have not been recognized for cash due to the virtual certainty associated with their collectability.

## 4. Significant accounting estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

**Estimates**

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

*Fair value of financial instruments*

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

*Equity-based compensation*

Share-based compensation and warrant valuation is subject to the estimation of the fair value of the award at the date of grant using the Black-Scholes pricing model which is based on significant assumptions such as volatility, dividend yield, expected term and forfeitures.

*Taxes*

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

## 4. Significant accounting estimates and assumptions *(continued)*

### Judgements

The key areas of judgment that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

*Taxes*

The Company recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available to utilize the Company's deductible temporary differences which are based on management's judgement on the degree of future taxable profits. To the extent that future taxable profits differ significantly from the estimates impacts the amount of the deferred tax assets management judges is probable.

*Equity-based compensation*

Share-based compensation and warrant valuation is subject to the estimation of the fair value of the award at the date of grant using the Black-Scholes pricing model which is based on significant assumptions such as volatility, dividend yield, expected term and forfeitures.

*Financial instruments*

The Company is required to classify its various financial instruments into certain categories for the financial instruments' initial and subsequent measurement. This classification is based on management's judgement as to the purpose of the financial instrument and to which category is most applicable.

## 5. New accounting pronouncements

In January 2016, the IASB issued IFRS 16 "Leases" which replaces IAS 17 "Leases". The new standard introduces a single recognition and measurement model for leases, which would require the recognition of assets and liabilities for most leases with a term of more than twelve months. The new standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 "Revenue from Contracts with Customers" at or before the initial adoption date of January 1, 2018. The Company adopted this standard on March 1, 2019 and adoption did not have an impact on the consolidated financial statements as the Company has not entered into any lease agreements.

## 6. Cash

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds and $210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions may apply until completion of a qualifying transaction by the Company as defined under the policies of the Exchange.

## 7. Share capital

Authorized:

Unlimited number of voting Common Shares
Unlimited number of Preferred shares issuable in series

Issued: Common Shares

| | Number of Shares | $ |
|---|---|---|
| Issued on incorporation | - | - |
| Issued at $0.05 per share (i) | 3,600,000 | 180,000 |
| As at February 28, 2019 | 3,600,000 | 180,000 |
| Issued at $0.10 per share, net of share issuance cost (ii) | 5,000,000 | 336,622 |
| As at February 29, 2020 | **8,600,000** | **516,622** |

(i) These common shares are held in escrow whereby 10% of the common shares will be released from escrow upon the issuance of the Final Exchange Bulletin and an additional 15% will be released on each six-month anniversary thereafter unless otherwise permitted by the Exchange.

These common shares, which are considered contingently issuable until the Company completes a qualifying transaction as defined under the policies of the Exchange, are not considered to be outstanding for the purpose of the net loss per share calculation.

(ii) On May 15, 2019, the Company completed its IPO by issuing 5,000,000 common shares at $0.10 per common share for gross proceeds of $500,000. The Agent was granted 500,000 warrants at a price of $0.10 per share and expiring of 24 months from the date of closing, May 15, 2019. The fair value of the warrants, as determined by the Black Scholes option pricing model, was $29,338.

Concurrent with the closing, the Company granted the directors options to acquire 860,000 common shares under the Company's stock option plan at a price of $0.10 per share with an expiry date of May 15, 2024

Share issuance costs, including the value of the agent warrants and deferred financing costs of $59,380, totaled $163,378.

## 7. Share capital *(continued)*

### Stock option plan

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX Venture (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares. The Stock Option Plan provides that options shall be exercisable for the duration set out in the individual option agreements, which in no event shall exceed ten (10) years from the date such options are granted. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of TSX Venture.

The following is a summary of the changes in the Company's Stock Option Plan during the year:

| | Number of options outstanding | Number of options exercisable | Weighted average life | Exercise Price |
|---|---|---|---|---|
| As at February 28, 2019 | - | - | - | - |
| Granted | 860,000 | 860,000 | 4.21 | $0.10 |
| **As at February 28, 2020** | **860,000** | **860,000** | **4.21** | **$0.10** |

For the year ended February 28, 2020, the Company recorded share-based compensation expense of $71,153 (2019 - $nil) related to the issuance of options. The stock options granted vested immediately. The fair value of each option grant was estimated as at the grant date using the Black-Scholes option pricing model with the following assumptions:

| | |
|---|---|
| Risk-free interest rate | 1.54% |
| Expected term | 5 years |
| Volatility | 120% |
| Stock price | $0.10 |
| Fair value per option | $0.08 |
| Forfeiture rate | 0% |

## 7. Share capital *(continued)*

**Warrants**

| | Number of warrants outstanding | Weighted average life | Exercise Price |
|---|---|---|---|
| As at February 28, 2019 | - | - | - |
| Granted – May 15, 2019 | 500,000 | 1.21 | $0.10 |
| **As at February 28, 2020** | **500,000** | **1.21** | **$0.10** |

The fair value of each agent warrant granted was estimated as at the grant date using the following assumptions:

| | |
|---|---|
| Risk-free interest rate | 1.58% |
| Expected term | 2 years |
| Volatility | 114% |
| Stock price | $0.10 |
| Fair value per warrant | $0.06 |

## 8. Taxes

The tax recovery differs from the amount that would be computed by applying the expected tax rates to the loss before taxes. The reasons for the difference are as follows:

| | | **2020** | | 2019 |
|---|---|---|---|---|
| Net loss before taxes | **$** | **(320,634)** | $ | - |
| Statutory tax rate | | **26.5%** | | 27% |
| Expected tax recovery | | **(84,968)** | | - |
| Stock-based compensation | | **18,856** | | - |
| Impact of tax rate differences | | **11,101** | | |
| Share issue costs | | **(23,957)** | | - |
| Tax asset not recognized | | **78,968** | | - |
| Tax recovery | **$** | **-** | $ | - |

The statutory tax rate decreased from 27.0% to 26.5% due to a decrease in the provincial tax rate on July 1, 2019.

The Company has gross timing differences related to the following:

| | | **2020** | | 2019 |
|---|---|---|---|---|
| Deferred financing costs | **$** | **130,615** | $ | 54,793 |
| Non-capital loss carry-forwards | | **282,245** | | 4,425 |
| Total timing differences | **$** | **412,860** | $ | 59,218 |

The Company's estimated non-capital loss carry-forward balance is available to reduce future years' income for tax purposes. These losses, if not fully utilized, will commence to expire in 2039.

No deferred tax asset has been recognized in respect of the temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

## 9. Related party transactions

Key management personnel consists of officers and directors of the Company. Other than stock options granted to directors, no compensation was paid to key management personnel during the period from incorporation to February 29, 2019 or during the year ended February 28, 2020.

Transactions with related parties are incurred in the normal course of business.

## 10. Capital disclosures

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,

ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at year-end.

## 11. Financial instruments

The Company, as part of its operations, carries financial instruments consisting of cash and accounts payable and accruals. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

### Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount of cash and account payable and accruals approximates its fair value due to the short-term maturities of these items.

### Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations, and arises from the Company's cash balance. The Company believes it has no significant credit risk associated with cash held as it is held in a lawyer's trust account with a major Canadian law firm.

## 11. Financial instruments *(continued)*

### Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 29, 2020, the Company had a cash balance of $267,631 to settle liabilities of $6,152.

### Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i. Interest rate risk

The Company has no interest-bearing debt.

ii. Foreign currency risk

The Company does not have assets or liabilities in foreign currency.

iii. Commodity risk

The Company is not exposed to commodity price risk.

## 12. Subsequent event

On March 11, 2020, the novel coronavirus (“COVID-19”) outbreak was declared a pandemic by the World Health Organization. This has resulted in significant economic uncertainty and governments worldwide are enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown as this time, as is the effectiveness of interventions by governments and central banks. The full extent of the impact of the Company’s future financial results is uncertain given the length and severity of these developments cannot be reliably measured.

**SCHEDULE F**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CORPORATION FOR THE YEAR ENDED FEBRUARY 29, 2020 AND THE PERIOD FROM OCTOBER 15, 2018, TO FEBRUARY 28, 2019

See attached.

**CE BRANDS INC.**

**MANAGEMENT'S DISCUSSION & ANALYSIS**
**FOR THE YEAR ENDED FEBRUARY 29, 2020**

June 29, 2020

## Introduction

We, the management of CE Brands Inc. (the "**Corporation**"), are providing this management's discussion and analysis (this "**MD&A**") to enable you to evaluate the financial performance of the Corporation for the year ended February 29, 2020. We recommend that you read this MD&A together with the annual consolidated financial statements of the Corporation for the year ended February 29, 2020 (the "**Financial Statements**"), which we prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. Copies of the Financial Statements are available on SEDAR at www.sedar.com.

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 securities legislation. In general, forward-looking information refers to disclosure about future conditions, courses of action, and events. The use of any of the words "anticipates", "expects", "intends", "will", "would", and similar expressions are intended to identify forward-looking information. More particularly and without limitation, this MD&A contains forward looking information concerning the completion of the Public Offering and a Qualifying Transaction, as that term is defined in the policies of the Exchange. The forward-looking information is based on certain key expectations and assumptions made by the Corporation about its ability to complete the Public Offering and a Qualifying Transaction. Although the Corporation 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 Corporation can give no assurance that they will prove to be accurate. By its nature, forward-looking information is subject to various risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed in this MD&A. These risks and uncertainties are stated in the section entitled "Risk Factors". Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date of this MD&A, and to not use such forward-looking information for anything other than its intended purpose. The Corporation 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 legislation.

## Description of the Business

On October 15, 2018, the Corporation was incorporated under the *Business Corporations Act* (Alberta) for the purpose of becoming a CPC, as that term is defined in the policies of the TSX Venture Exchange (the "**Exchange**"). A CPC is not permitted to carry on any business except identifying and evaluating assets or businesses with a view to completing a Qualifying Transaction, as that term is defined in the policies of the Exchange.

On May 15, 2019, the Corporation completed an initial public offering (the "**IPO**") of 5,000,000 common shares, at a price of $0.10 per common share, for gross proceeds of $500,000, and on May 23, 2019, the common shares began trading on the Exchange under the symbol "CEBI.P".

On June 17, 2019, the Corporation and eBuyNow eCommerce Ltd. ("**EBN**"), a privately-held company that

develops, manufactures, and distributes consumer electronics in partnership with globally-recognized brands, entered into a non-binding letter of intent, which set out the terms under which the Corporation would be prepared to acquire all the outstanding securities of EBN. The Exchange halted trading in the Corporation's shares subsequent to the Corporation's announcement of the proposed acquisition.

On March 12, 2020 the Corporation, 1233336 B.C. Ltd. ("**CEBI Subsidiary**"), a wholly-owned subsidiary of the Corporation, and EBN entered into an amalgamation agreement (the "**Amalgamation Agreement**"), pursuant to which the Corporation will acquire all of the issued and outstanding securities of EBN (the "**Proposed Transaction**"). On March 27, 2020, the Corporation and EBN executed an amendment to the Amalgamation Agreement to reflect the termination of a proposed private placement intended to be completed in connection with the Proposed Transaction. The Proposed Transaction is intended to constitute the Qualifying Transaction of the Corporation.

The Amalgamation Agreement provides that the Corporation will acquire all of the issued and outstanding securities of EBN by way of a three-cornered amalgamation. More specifically, the Corporation will consolidate all of its issued and outstanding common shares on a five-for-one basis (the "**Consolidation**") and EBN and CEBI Subsidiary will amalgamate and continue as one corporation (the "**Amalgamation**"). Pursuant to the Amalgamation, all of the issued and outstanding common shares of EBN will be exchanged for post-Consolidation common shares of the Corporation on a one-for-one basis, all of the issued and outstanding options to purchase common shares of EBN will be exchanged for options to purchase post-Consolidation common shares of the Corporation on a one-for-one basis, and all of the issued and outstanding common share purchase warrants of EBN will be exchanged for warrants to purchase post-Consolidation common shares of the Corporation on a one-for-one basis.

On April 2, 2020, the Corporation and EBN announced that they intend to conduct a proposed public offering of subscription receipts of the Corporation, for maximum gross proceeds of approximately C$10,000,000 (the "**Public Offering**"). Each subscription agreement will entitle the holder of the subscription receipt to receive, without payment of additional consideration and without any further action, one common share of the Corporation upon the satisfaction of the conditions precedent to the Proposed Transaction.

The Corporation has not received acceptance from the Exchange for the Proposed Transaction or the Public Offering. There can be no assurance that the Proposed Transaction or the Public Offering will be completed as proposed or at all.

**Selected Financial Information**

The following table summarizes certain financial data derived from the Financial Statements:

| | **Year end February 29, 2020** | **Period from October 15, 2018 to February 28, 2019** |
|---|---:|---:|
| Assets | $302,631 | $191,515 |
| Liabilities | $6,152 | $11,515 |
| Revenue | $- | $- |
| Expenses | $320,634 | $- |
| Net loss and comprehensive loss | $320,634 | $- |
| Basic and diluted loss per share | $(0.08) | $- |

**Additional Disclosure for Venture Issuers without Significant Revenue**

Additional disclosure regarding the financial information is available in the Consolidated Statements of Net Loss and Comprehensive Loss presented in the Corporation's Financial Statements.

**Discussion of Operations**

The Corporation has not conducted any business except with a view to completing a Qualifying Transaction.

**Summary of Quarterly Results**

| Quarterly Results (Three months ended) | Revenue | Expenses | Net income (loss) | Basic and diluted loss per share |
|---|---|---|---|---|
| February 29, 2020 | $- | $43,706 | $(43,706) | $0.02 |
| November 30, 2019 | $- | $86,548 | $(86,548) | $0.02 |
| August 31, 2019 | $- | $116,727 | $(116,727) | $0.02 |
| May 31, 2019 | $- | $73,653 | $(73,653) | $0.02 |

During Q1 2019, the Corporation incurred legal and transaction costs in connection with the IPO. During 2019 and Q4 2020 the Corporation incurred legal and professional fees associated with the search for a Qualifying Transaction and the Proposed Transaction.

**Fourth Quarter**

For the three-month period ended February 29, 2020, the Corporation incurred expenses of $43,706. These expenses are related to share-based compensation, professional fees, and general and administrative expenses.

**Liquidity and Capital Resources**

As at February 29, 2020, the Corporation had working capital of $296,479, which is being held in trust by legal counsel for the Corporation.

The Corporation funds its activities through equity financing. We believe that the Corporation has sufficient cash to meet its ongoing obligations and sufficient further resources to be able to identify and evaluate assets or businesses with a view to completing a Qualifying Transaction. However, upon completion of a Qualifying Transaction, additional capital may be necessary.

During the year ended February 29, 2020, the Corporation incurred expenses of $320,634. The Corporation expects to continue to generate negative cash from future operating activities until at least such time as it completes a Qualifying Transaction and commences revenue generation. Pursuant to the policies of the Exchange, until the Corporation completes a Qualifying Transaction, the proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or $210,000 may be used to cover prescribed costs of administrative and general expenses of the Corporation.

The Corporation has not pledged any of its assets as security for loans, or otherwise, and has no long-term debt. The Corporation did not have any capital expenditures for the year ended February 29, 2020.

**Off-Balance Sheet Arrangements**

The Corporation does not have any off-balance sheet arrangements.

**Transactions Between Related Parties**

During the year ended February 29, 2020, the Corporation did not engage in any transactions with related

parties, apart from the grant of stock options.

**Critical Accounting Estimates and Changes in Accounting Policies**

The significant accounting policies of the Corporation and the adoption of new accounting policies by the Corporation are disclosed in the Financial Statements.

**Outstanding Share Data**

As of the date of this MD&A, the following equity or voting securities, and securities the are convertible into, or exercisable or exchangeable for, voting or equity securities, of the Corporation were outstanding:

| | Authorization | Outstanding |
|---|---|---|
| Common Shares | Unlimited | 8,600,000 |
| Stock Options | Stock options to purchase that number of common shares equal to a maximum of 10% of the outstanding common shares at the time of any stock option grant | 860,000 |
| Agent Warrants | Agent's warrants to purchase up to 500,000 common shares that were issued in connection with the IPO | 500,000 |

**Financial Instruments and Other Instruments**

The financial instruments of the Corporation consist of cash and accounts payable and accrued liabilities. In our opinion, the Corporation is not exposed to significant interest, currency, or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values, as applicable.

**Risk Factors**

We believe the following risk factors relating to the Corporation and its business would be likely to influence the decision of a prospective investor to purchase securities of the Corporation:

- The only business permitted to be undertaken by the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction.

- Until the completion of a Qualifying Transaction, a CPC must not carry on any business other than the identification and evaluation of assets or businesses with a view to a potential Qualifying Transaction.

- The Corporation has no material assets other than cash.

- The Corporation does not have a history of earnings, has never paid any dividends, and will not generate earnings or pay dividends until at least after the completion of the Qualifying Transaction.

- The Corporation has limited cash with which to identify and evaluate a potential Qualifying Transaction.

- The Corporation has only 24 months after the date of its listing on the Exchange during which to identify and evaluate a potential Qualifying Transaction.

- We can give no assurance that the Corporation will be able to identify a potential Qualifying Transaction.

- Even if we identify a potential Qualifying Transaction, we can give no assurance that the Corporation will be able to complete the Qualifying Transaction.

- If we identify a potential Qualifying Transaction, the Corporation may require additional cash to complete the Qualifying Transaction. If we raise cash by selling securities of the Corporation, your equity interest in the Corporation may be diluted.

- The Exchange may suspend from trading or delist the common shares of the Corporation if the Corporation has not completed a Qualifying Transaction within 24 months after the date of listing on the Exchange.

- The Proposed Transaction is subject to a number of significant conditions, including approval from the Exchange, and the Corporation and EBN receiving approval for the Proposed Transaction from their respective shareholders. We can provide no assurance that some or all of these conditions will be satisfied.

**Additional Information**

Additional information relating to the Corporation is on SEDAR at www.sedar.com.

**SCHEDULE G**

UNAUDITED FINANCIAL STATEMENTS OF EBN FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2020

See attached.

Unaudited Condensed Interim Consolidated Financial Statements of

# eBuyNow eCommerce Ltd.

For the three and nine month periods ended December 31, 2020 and 2019

*(expressed in Canadian dollars)*

**eBuyNow eCommerce Ltd.**
**Unaudited Condensed Interim Consolidated Statements of Financial Position**

| | Note | | December 31, 2020 | | March 31, 2020 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets | | | | | |
| Cash | | $ | **510,041** | $ | 521,060 |
| Accounts receivable | 3 | | **407,457** | | 879,114 |
| Inventory | | | **2,210,317** | | 1,968,286 |
| Prepaid expenses and deposits | | | **360,591** | | 2,697,040 |
| | | | **3,488,406** | | 6,065,500 |
| Property, plant and equipment | 4 | | **432,618** | | 531,408 |
| Right of use asset | 5 | | **-** | | 227,336 |
| Intangible assets | 6 | | **930,934** | | 1,704,020 |
| Goodwill | 6 | | **9,342,843** | | 10,386,974 |
| **Total assets** | | $ | **14,194,801** | $ | 18,915,238 |
| | | | | | |
| **Liabilities** | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | | $ | **6,074,749** | $ | 6,475,289 |
| Due to related parties | 7 | | **323,858** | | 298,735 |
| Warrant obligations | 9 | | **239,071** | | 1,444,912 |
| Current portion of lease liabilities | 8 | | **-** | | 267,690 |
| Convertible debenture derivatives | 9 | | **1,625,395** | | - |
| Current portion of long-term debt | 9 | | **8,005,369** | | 6,057,132 |
| | | | **16,268,442** | | 14,543,758 |
| Long-term debt | 9 | | **940,008** | | 128,960 |
| **Total liabilities** | | $ | **17,208,450** | $ | 14,672,718 |
| | | | | | |
| **Shareholders' Equity (Deficit)** | | | | | |
| Share capital | | | **16,741,481** | | 14,098,504 |
| Equity component of convertible debt | | | **1,009,951** | | 757,540 |
| Warrants reserve | | | **3,514,043** | | 2,171,470 |
| Contributed surplus | | | **1,052,809** | | 760,907 |
| Accumulated other comprehensive income | | | **(115,853)** | | 740,675 |
| Retained deficit | | | **(25,216,080)** | | (14,286,576) |
| Total shareholders' equity (deficit) | | $ | **(3,013,650)** | $ | 4,242,520 |
| | | | | | |
| **Total liabilities and shareholders' equity (deficit)** | | $ | **14,194,801** | $ | 18,915,238 |

Going concern (Note 2)
Commitments (Note 13)
Subsequent events (Notes 14)

See accompanying notes to the unaudited condensed interim consolidated financial statements.

**eBuyNow eCommerce Ltd.**
**Unaudited Condensed Interim Consolidated Statement of Loss and Comprehensive Loss**

| | Note | For the three months ended December 31, 2020 | 2019 | For the nine months ended December 31, 2020 | 2019 |
|---|---|---|---|---|---|
| Revenue | 10 | **$ 3,005,336** | $ 2,350,192 | **$ 7,960,884** | $ 5,559,476 |
| Cost of products and services | | **2,743,016** | 1,582,761 | **6,392,085** | 3,688,292 |
| **Gross Profit** | | **262,320** | 767,431 | **1,568,799** | 1,871,184 |
| **Expenses** | | | | | |
| Marketing | | **394,343** | 879,932 | **1,484,821** | 1,755,717 |
| Selling and distribution | | **360,931** | 233,726 | **978,700** | 630,382 |
| Wages and contractors | | **747,528** | 753,224 | **2,495,716** | 1,842,574 |
| Royalties and license fees | | **127,561** | 208,586 | **530,448** | 759,007 |
| Technology and related | | **11,732** | 152,105 | **309,638** | 212,880 |
| Professional fees | | **359,395** | 96,952 | **917,957** | 553,651 |
| General and administrative | | **624,612** | 211,366 | **774,432** | 368,888 |
| Depreciation | 4 | **63,382** | 183,341 | **188,317** | 509,860 |
| Amortization | 5,6 | **238,845** | 195,686 | **855,178** | 590,907 |
| Stock-based compensation | | **52,598** | 174,016 | **291,902** | 520,132 |
| Loss (gain) on foreign exchange | | **12,182** | 18,524 | **110,318** | (6,045) |
| **Operating loss** | | **(2,730,789)** | (2,340,027) | **(7,368,628)** | (5,866,769) |
| Finance costs | 11 | **(877,283)** | (89,887) | **(3,287,792)** | (655,133) |
| Loss on warrant obligation settlement | | **(17,546)** | - | **(273,084)** | - |
| **Loss before income tax** | | **(3,625,618)** | (2,429,914) | **(10,929,504)** | (6,521,902) |
| Income tax expense (recovery) | | **-** | - | **-** | - |
| **Net loss** | | **(3,625,618)** | (2,429,914) | **(10,929,504)** | (6,521,902) |
| **Other comprehensive loss for the period** | | | | | |
| Gain (loss) on translation of foreign operations that may be subsequently reclassified to profit and loss, net of tax | | **(348,894)** | (17,106) | **(856,528)** | (64,917) |
| **Total comprehensive loss** | | **$(3,974,512)** | $(2,477,020) | **$(11,786,032)** | $(6,586,819) |
| **Loss per share** | | | | | |
| Net loss per share | | $(0.04) | $(0.03) | $(0.13) | $(0.09) |
| Weighted average number shares | | 83,859,040 | 73,222,122 | 81,014,037 | 71,203,284 |

See accompanying notes to the unaudited condensed interim consolidated financial statements

**eBuyNow eCommerce Ltd.**
**Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)**

| | *Note* | Share capital | Share Issuance Deposits | Equity component of convertible debt | Warrants Reserve | Contributed Surplus | Accumulated Earnings (Deficit) | Accumulated other comprehensive income | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at March 31, 2019** | | **$8,681,389** | **$1,015,013** | **$717,975** | **-** | **$66,280** | **$(3,828,239)** | **$131,465** | **$6,783,883** |
| Issuance of subscription units | | 3,672,247 | (1,015,013) | - | 2,090,265 | - | - | - | 4,747,499 |
| Issuance of shares | | 1,516,922 | - | - | - | - | - | - | 1,516,922 |
| Share issuance costs | | (24,254) | - | - | - | - | - | - | (24,254) |
| Convertible debentures converted to common shares | | 268,613 | - | - | - | - | - | - | 268,613 |
| Issuance of broker warrants | | - | - | - | 81,205 | - | - | - | 81,205 |
| Stock-based compensation | | - | - | - | - | 520,132 | - | - | 520,132 |
| Net loss | | - | - | - | - | - | (6,521,902) | - | (6,521,902) |
| Other comprehensive loss | | - | - | - | - | - | - | (64,917) | (64,917) |
| **Balance at December 31, 2019** | | **$14,114,917** | **$ -** | **$717,975** | **$2,171,470** | **$586,412** | **$(10,350,141)** | **$66,548** | **$7,307,181** |
| | | | | | | | | | |
| **Balance at March 31, 2020** | | **$14,098,504** | **$ -** | **$757,540** | **$2,171,470** | **$760,907** | **$(14,286,576)** | **$740,675** | **$4,242,520** |
| Issuance of subscription units | | 178,312 | - | - | 52,288 | - | - | - | 230,600 |
| Issuance of shares | | 237,016 | - | - | - | - | - | - | 237,016 |
| Share issuance costs | | (1,101) | - | - | - | - | - | - | (1,101) |
| Issuance of convertible debentures | | - | - | 252,411 | - | - | - | - | 252,411 |
| Warrants converted to shares | | 708,750 | - | - | - | - | - | - | 708,750 |
| Warrant obligation settlement | 9 | - | - | - | 1,240,431 | - | - | - | 1,240,431 |
| Issuance of warrants | | - | - | - | 49,854 | - | - | - | 49,854 |
| Convertible debentures converted to common shares | | 1,520,000 | - | - | - | - | - | - | 1,520,000 |
| Stock-based compensation | | - | - | - | - | 291,902 | - | - | 291,902 |
| Net loss | | - | - | - | - | - | (10,929,504) | - | (10,929,504) |
| Other comprehensive loss | | - | - | - | - | - | - | (856,528) | (856,528) |
| **Balance at December 31, 2020** | | **$16,741,481** | **$ -** | **$1,009,951** | **$3,514,043** | **$1,052,809** | **$(25,216,080)** | **$(115,853)** | **$(3,013,649)** |

**eBuyNow eCommerce Ltd.**
**Unaudited Condensed Interim Consolidated Statements of Cash Flows**

| | Note | For the nine months ended December 31, 2020 | 2019 |
|---|---|---|---|
| **Cash provided by (used in):** | | | |
| **Cash flows used in operating activities** | | | |
| Net loss | | $ **(10,929,504)** | $ (6,521,902) |
| Items not affecting cash: | | | |
| Amortization and Depreciation | | **1,043,495** | 1,100,766 |
| Accretion | 11 | **2,304,947** | 384,521 |
| Amortization of financing costs | 11 | **51,835** | - |
| Stock-based compensation | | **291,902** | 520,132 |
| Fair value gain on warrants obligation | 11 | **(188,640)** | (20,000) |
| Fair value loss on convertible debenture derivatives | 11 | **153,980** | - |
| Loss on warrant obligation settlement | | **273,084** | - |
| Related party loan forgiveness | | **66,843** | - |
| Change in non-cash working capital | 12 | **3,862,134** | (3,340,828) |
| **Net cash used in operating activities** | | **(3,069,923)** | (7,877,311) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment and intangible assets | | **(89,526)** | (780,423) |
| **Net cash used in investing activities** | | **(89,526)** | (780,423) |
| **Cash flows from financing activities** | | | |
| Repayment of amounts due to related parties | | **(3,249)** | (71,170) |
| Proceeds from long-term debt | | **1,362,355** | 3,667,000 |
| Proceeds from shareholder loan | | **35,135** | - |
| Proceeds from factoring | | **1,326,050** | - |
| Repayment of long-term debt | | **(158,161)** | (794,893) |
| Repayment of lease liability | | **(252,410)** | (359,810) |
| Repayment of factoring | | **(341,935)** | - |
| Issuance of share capital | | **938,248** | 6,333,577 |
| **Net cash provided by financing activities** | | **2,906,033** | 8,774,704 |
| **Effect of change in foreign exchange rates on cash** | | **242,397** | 167,424 |
| **Increase (decrease) in cash** | | **(11,019)** | 284,394 |
| **Cash, beginning of period** | | **521,060** | 743,566 |
| **Cash, end of period** | | $ **510,041** | $ 1,027,960 |

## 1. Company overview

eBuyNow eCommerce Ltd. (the "Company" or "EBN") was incorporated under the British Columbia Business Corporation Act on April 19, 2012. Through sales data analytics, eBuyNow selects growth consumer electronics products for sale through their direct to consumer e-commerce platforms via global retail channels in multiple countries. The Companies headquarters are in Canada and the address of its registered office is 301-1321 Blanshard St, Victoria, BC, V8W 0B6.

## 2. Basis of presentation and going concern

### Basis of presentation

These financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with EBN's audited financial statements for the year ended March 31, 2020.

These financial statements have been prepared on a historical cost basis, except derivative financial instruments which are measured at fair value. All accounting policies, methods of computation, estimates and assumptions used in the preparation of these financial statements are consistent with those described in notes 3 and 4 of the Company's financial statements for the year ended March 31, 2020 with the exception of the following change in accounting policy.

*Accounts Receivable*

Accounts receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days. In the event of sale of receivables and factoring, the Company derecognizes receivables when the Company has given up control or continuing involvement, which is deemed to have occurred when the Company has transferred its rights to receive cash flows from the receivables and the Company has transferred substantially all of the risks and rewards of ownership of the receivables. Prior to transferring the risks and rewards of ownership of receivables, the Company's receivables are recognized to the extent of the Company's continuing involvement in the assets. In this case, the Company also recognizes an associated liability. The transferred receivable and associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

These condensed consolidated interim financial statements were authorized for issue by the board of directors of the Company on March 18, 2021.

## Going concern

These 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. Future operations are dependent on the Company being able to raise capital through share issuance or alternative financing and continued support from the Company's existing creditors; the generation of profitability from operations and the ability to discharge obligations as they come due. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The Company had a net loss of $3,625,618 and $10,929,504 for the three and nine month periods ended December 31, 2020, respectively (three and nine months ended December 31, 2019 - $2,429,914 and $6,521,902, respectively), working capital deficiency of $12,780,036 at December 31, 2020 (March 31, 2020 - $8,478,258) and has an accumulated deficit of $25,216,080 at December 31, 2020 (March 31, 2020 – $14,286,576).

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The Company's operations could be negatively impacted by the regional and global outbreak of COVID-19, for an unknown period of time. Any quarantines, supply chain and labor shortages or other disruptions to the Company's operations, or those of their customers, did adversely impact the Company's revenues, ability to provide its products and services and operating results in fiscal 2020 and the nine months ended December 31, 2020, and may continue to adversely impact the Company. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in their services. The extent to which the coronavirus impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

In order to settle its existing liabilities and continue operations, the Company will require additional financing. The amount of capital required cannot be quantified until additional transactions are identified and completed. Failure to obtain such financing on a timely basis could cause the Company to not be able to pay its liabilities and/or reduce or terminate its operations. The Company has a number of debt obligations with interest and principal repayment requirements which the Company has failed to meet on a timely basis. As a result, the holders of these notes are able to demand repayment with little or no notice. As such, the debt and related warrant obligations have been classified as current liabilities on the statement of financial position.

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, 2020 is uncertain. Until this time, management will have to raise funds by way of debt or equity issuances or improve profitability. The Company has raised additional debt and equity subsequent to December 31, 2020.

There can be no assurance that debt or equity financing will continue to be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on the terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of

operations or prospects. These conditions create a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the financial statements. Such adjustments could be material.

## 3. Financial risk management

Overview

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 Directors have 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, 2020** | March 31, 2020 |
|---|---|---|
| Cash | $510,041 | $521,060 |
| Accounts receivable | 407,457 | 879,114 |
| Total | $917,498 | $1,400,171 |

Cash consists of cash bank balances. The Company manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

On August 5, 2020, the Company entered into a contract for the sale of US$585,000 in future receivables for US$500,000. This contract has a fee of 11.75% and is paid back monthly at a retrieval percentage of 6.5% for August 2020, 8.5% for September 2020, and October 2020, and 15% going forward. This has been included in other long-term debt and promissory notes in note 9.

On October 13, 2020, the Company entered into a contract for the sale of US$560,000 in future receivables for US$500,000. This contract has a fee of 12% and is paid back monthly at a retrieval percentage of 8.5% for the first two months and subsequently 15% going forward. This has been included in other long-term debt and promissory notes in note 9.

The aging of the Company's receivables is as follows:

| | **December 31, 2020** | March 31, 2020 |
|---|---|---|
| Not past due | $73,404 | $756,428 |
| 31 – 60 days | 31,483 | 22,593 |
| 61 – 90 days | 163,301 | 24,865 |
| More than 90 days | 400,967 | 86,565 |
| Allowance for expected credit loss | (261,698) | (11,337) |
| Total | $407,457 | $879,114 |

There is no concentration of credit risk with respect to accounts receivables, as the Company has a large number of customers, internationally dispersed. The Company considers accounts greater than 60 days old overdue. Accounts receivable includes $564,268 and $111,430 of accounts that are greater than 60 days old as at December 31, 2020 and March 31, 2020, respectively. The Company has recognized an expected credit loss of $261,698 and $11,337 on the accounts receivable at December 31, 2020 and March 31, 2020, respectively.

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, the debt obligations of the business has been classified as current on the statement of financial position. The Company will require additional funding to reduce its exposure to liquidity risk.

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

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

| Contractual maturities of financial liabilities | Due in 2021 | Due in 2022 | Thereafter | Total |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 6,074,749 | $ - | $ - | $ 6,074,749 |
| Warrant obligations | 239,071 | - | - | 239,071 |
| Convertible debenture derivatives | 1,625,395 | - | - | 1,625,395 |
| Long-term debt (1) | 8,803,712 | 1,224,705 | 41,600 | 10,070,017 |
| **As at December 31, 2020** | **$ 16,742,927** | **$ 1,224,705** | **$ 41,600** | **$ 18,009,232** |

(1) Includes USD$1,388,888 convertible debenture, USD$856,007 pertaining to the repayment of amounts received for the sale of future receivables and USD$250,000 in promissory notes. Repayment of all amounts is estimated based on the December 31, 2020 US to Canadian dollar exchange rate of 1.273.

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 the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on the long-term debt that bear interest at variable rates of interest. A 1% increase in the interest rate would have a $100,700 increase on the net loss and accumulated deficit of the Company for the nine month period ended December 31, 2020.

Foreign exchange risk

The Company's financial performance is closely linked to foreign exchange rates. While the Company may employ the use of various financial instruments in the future to manage these price exposures, the Company is not currently using any such instruments.

At December 31, 2020, the Company's exposure to currency risk consists of the following:

| | USD | GBP | MXN | INR | HKD |
|---|---|---|---|---|---|
| Cash | 102,738 | 34,138 | 441,099 | 468,938 | 323,334 |
| Accounts Receivable | 90,907 | - | - | 4,514,424 | 977,070 |
| Accounts Payable and accrued liabilities | 38,379 | 309,638 | 526,144 | 1,015,574 | 19,735,203 |

A 1% in the exchange rate would have a $45,168 impact on the net loss and accumulated deficit of the Company for the nine month period ended December 31, 2020.

Capital management

The Company's capital management policy is to maintain a capital base that optimizes the Company's 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 the light of changes to economic conditions and the risk characteristics of the nature of the business. The Company considers its capital structure to include shareholders' equity/deficit and working capital deficit. In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage its current and projected capital structure.

At December 31, 2020, the Company has 84,481,951 (March 31, 2020 – 77,394,777) shares outstanding, 15,907,479 (March 31, 2020 – 11,586,700) warrants outstanding and 6,825,000 (March 31, 2020 – 7,004,994) options outstanding.

*Shares outstanding*

During the nine months ended December 31, 2020, the Company issued 307,434 share units which consisted of 307,434 shares and 307,434 warrants for total proceeds of $231,701. 3,529,957 shares were issued for convertible notes and associated unpaid interest on certain notes converted in the period. 2,710,000 shares were issued for warrants converted in the period and 539,783 shares were issued in relation to unpaid interest.

*Warrants outstanding*

During the nine months ended December 31, 2020, the Company issued 179,075 warrants as a result in delays in the public listing of the Company's shares, the Company issued 307,434 warrants as part of the share unit issuance noted above, which have been recorded in equity. There were a total of 1,500 broker warrants issued as a result. The Company issued 3,832,770 equity warrants associated with the Senior Secured Debentures.

*Options outstanding*

During the nine months ended December 31, 2020, 739,994 options were forfeited.

## 4. Property, plant and equipment

| | Computer Equipment | Tooling and Other Equipment | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance at March 31, 2019 | $80,242 | $1,800 | $82,042 |
| Additions | 7,179 | 727,973 | 735,152 |
| Balance at March 31, 2020 | 87,421 | 729,773 | 817,194 |
| Reclassification | - | (24,612) | (24,612) |
| Additions | 1,300 | 88,226 | 89,526 |
| **Balance at December 31, 2020** | **$88,721** | **$793,387** | **$882,108** |

| | Computer Equipment | Tooling and Other Equipment | Total |
|---|---|---|---|
| **Accumulated amortization** | | | |
| Balance at March 31, 2019 | $14,194 | $817 | $15,011 |
| Depreciation | 17,730 | 253,045 | 270,775 |
| Balance at March 31, 2020 | 31,924 | 253,862 | 285,786 |
| Reclassification | 985 | (25,597) | (24,612) |
| Depreciation | 20,994 | 167,322 | 188,316 |
| Balance at December 31, 2020 | **$53,903** | **$395,587** | **$449,490** |

| | Computer Equipment | Tooling and Other Equipment | Total |
|---|---|---|---|
| **Net book value** | | | |
| March 31, 2020 | $55,497 | $475,911 | $531,408 |
| **December 31, 2020** | **$34,818** | **$397,800** | **$432,618** |

## 5. Right of use asset

The right of use asset consists of an office lease acquired as part of the Cinatic acquisition. The right of use asset consists of the following:

| | |
|---|---|
| Balance at March 31, 2019 | $ 615,164 |
| Amortization | (387,828) |
| Balance at March 31, 2020 | $ 227,336 |
| Amortization | (227,336) |
| **Balance at December 30, 2020** | **$ -** |

## 6. Intangible assets and goodwill

Intangible assets consist of the following:

| | Customer Relationships | Technology | Intangibles Subtotal | Goodwill |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at March 31, 2019 | $ 1,265,850 | $1,143,951 | $2,409,802 | $9,647,381 |
| Additions | - | 122,389 | 122,389 | - |
| Foreign currency translation | 101,309 | 93,021 | 194,330 | 739,593 |
| Balance at March 31, 2020 | $1,367,159 | $1,359,362 | $2,726,521 | $10,386,974 |
| Additions | - | - | - | - |
| Foreign currency translation | (143,048) | (129,274) | (272,322) | (1,044,131) |
| Balance at December 31, 2020 | **$1,224,111** | **$1,230,088** | **$2,454,199** | **$9,342,843** |
| | | | | |
| **Accumulated amortization** | | | | |
| Balance at March 31, 2019 | $69,086 | $62,433 | $131,519 | $ - |
| Amortization | 455,076 | 435,906 | 890,982 | - |
| Balance at March 31, 2020 | 524,162 | 498,339 | 1,022,501 | - |
| Amortization | 246,860 | 253,904 | 500,764 | - |
| Balance at December 31, 2020 | **$771,022** | **$752,243** | **$1,523,265** | **$ -** |
| | | | | |
| **Net book value** | | | | |
| March 31, 2020 | $842,997 | $861,023 | $1,704,020 | $10,386,974 |
| **December 31, 2020** | **$453,089** | **$629,235** | **$930,934** | **$9,342,843** |

## 7. Related parties

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

| | **December 31, 2020** | March 31, 2020 |
|---|---|---|
| Due to current/former shareholders and officers | $ 323,858 | $ 365,705 |
| Due from Karma Ventures Limited | - | (66,970) |
| | $ 323,858 | $ 298,735 |

Karma Ventures Limited is related by common ownership. In 2018, the Company advanced funds to assist in business operations. The loan is non-interest bearing, unsecured and has no fixed terms of repayment. On December 31, 2020, the full receivable balance was forgiven.

During the period ended December 31, 2020, the Company received loans from a group of founding shareholders for $574,660 including proceeds of $301,500 and the settlement of an existing loan for $273,160. The loans mature between August 31, 2022 and September 29, 2022 and bear an interest rate of 4.5% per annum. The loans have a conversion option at the discretion of the lenders to convert the loan into the Company's equity share capital. The outstanding balance related to these loans is included in convertible debentures as disclosed in note 9.

During the period ended December 31, 2020, the Company received loans from a group of founding shareholders for proceeds of $600,125. The loans mature between October 26, 2022 and December 30, 2022 and bear an interest rate of 4.5% per annum. The loans have a conversion option at the discretion of the lenders to convert the loan into the Company's equity share capital. The outstanding balance related to these loans is included in convertible debentures as disclosed in note 9.

At December 31, 2020, accounts payable and accrued liabilities includes $234,654 of amounts owed to directors and officers of the Company (March 31, 2020 – $192,812).

## 8. Lease liability

Lease liability is included within the current portion of long-term debt on the balance sheet and consists of the following:

| | **December 31, 2020** | **March 31, 2020** |
|---|---|---|
| Opening balance | $ 267,690 | $ 687,084 |
| Payments | (267,690) | (419,394) |
| Current portion of lease liabilities | $ - | $ 267,690 |

## 9. Debt and Warrant Obligations and Convertible Debenture Derivatives

The debt obligations as at December 31, 2020 was comprised of the following:

| | December 31, 2020 | March 31, 2020 |
|---|---|---|
| **Convertible debenture notes** | | |
| **Opening balance** | **$ 3,448,329** | **$ 2,757,022** |
| Convertible debt liability | 1,081,575 | 533,483 |
| Accretion expense | 1,821,566 | 426,437 |
| Converted to common shares | (1,520,000) | (268,613) |
| **Closing balance** | **$ 4,831,470** | **$ 3,448,329** |
| **Senior secured debentures** | | |
| **Opening balance** | **$ 1,844,377** | **$ -** |
| Fair value of liability | - | 1,663,114 |
| Accretion expense | 483,381 | 181,263 |
| **Closing balance** | **$ 2,327,758** | **$ 1,844,377** |
| **Other long-term debt and promissory notes** | | |
| **Opening balance** | $ 893,386 | $ 1,500,478 |
| Promissory notes and other loans | 1,298,341 | 83,353 |
| Settled during the year | (405,578) | (690,445) |
| **Closing balance** | **$ 1,786,149** | **$ 893,386** |
| **Total long-term debt** | **$ 8,945,377** | **$ 6,186,092** |
| ***Current portion of long-term debt*** | ***$ 8,005,369*** | ***$ 6,057,132*** |
| ***Long-term debt*** | ***$ 940,008*** | ***$ 128,960*** |

| | 2021 | 2020 |
|---|---|---|
| **Warrants obligation** | | |
| **Opening balance** | **$ 1,444,912** | **$ -** |
| Fair value adjustment | (188,640) | 1,444,912 |
| Warrant obligation settlement | (1,017,201) | |
| **Closing balance** | **$ 239,071** | **$ 1,444,912** |

| | 2021 | 2020 |
|---|---|---|
| **Convertible debenture derivatives** | | |
| **Opening balance** | **$ -** | **$ -** |
| Fair value on issuance | 1,471,415 | - |
| Fair value adjustment | 153,980 | - |
| **Closing balance** | **$ 1,625,395** | **$ -** |

As at December 31, 2020, certain debt amounts are classified as current debt obligations because the Company has failed to comply with its debt covenants by not making timely interest payments and as a result the lenders have the right to demand repayment with minimal or no notice.

**Convertible debt**

On April 27, 2020, the holders of the $930,000 of January 2019 convertible notes exchanged their notes for a total of 1,860,000 commons shares of the Company.

On May 12, 2020, a total of 250,000 warrants were exercised for total proceeds of $93,750.

On June 22, 2020, the Company issued a US$1,388,888 Convertible note for proceeds of US$1,250,000 ($1,697,250). The Company received cash proceeds of US$339,046 ($460,357) with the remaining amount paid directly to a supplier of the Company for the purchases of inventory. The note bears an interest rate of 12%. The note includes a conversion feature whereby the note principal and any accrued interest are convertible at the lesser of $0.75 per share or 75% of the liquidity event share value if the liquidity event price is less than $1. This note matures on June 22, 2021. This note includes an amendment to a previously negotiated royalty arrangement which results in additional compensation for the lender. The conversion feature and amendment to the management fee resulted in two embedded derivatives, refer below for additional disclosure on the convertible debenture derivatives. As the Company did not achieve a liquidity event prior to September 30, 2020 the Company is in default on the note and the full amount is due on demand. The Company has determined the fair value of liabilities associated with the note by determining the fair value of the two embedded derivatives with the residual value being recorded to the host debt. Refer to convertible debenture derivatives below for disclosure of the key inputs in the valuation of the embedded derivatives. At December 31, 2020 the liability associated with this note was $1,768,332 (USD$1,388,888). Accretion of $nil and $1,629,709 was recorded during the three and nine month periods ended December 31, 2020, respectively. The fair value measurement of this instrument is categorized within Level 3 of the fair value hierarchy as one or more of the significant inputs is not based on observable market data including timing and probability of a liquidity event (the Company completing a go public transaction), possible share price at that time and the expected future cash flows from the sales of certain products.

On July 13, 2020, the Company received conversion notices for a total of $65,000 convertible notes plus accrued interest. The notes were converted to common shares of the Company at $0.375 per share for 173,334 shares.

On August 8, 2020, the Company received conversion notices for a total of $105,000 convertible notes plus accrued interest. The notes were converted to common shares of the Company at $0.375 per share for 280,000 shares.

On August 31, 2020, the Company entered into a convertible secured subordinated note for $320,254 for the settlement of an accounts payable balance of the same amount. The note bears an interest of 12% and has a 10 month term. The note is convertible to common shares of the Company at $0.50 per share. In accordance with IAS 32, the Company has determined the fair value of liabilities associated with the note by discounting the expected future cash flows of the liability component at the Company's weighted average cost of capital of 36.6%. The fair value of the liability component was $317,511 and the remaining $2,743 was recognized as the equity component of the convertible debt at inception. Accretion of $1,899 and $2,692 was recorded during the three and nine month periods ended December 31, 2020, respectively.

During the nine month period ended December 31, 2020, the Company entered into a series of Founders loans for a total of $574,660 including proceeds of $301,500 and the settlement of an existing loan for $273,160. The loans bear an interest rate of 4.5% on an accrual basis and have a conversion option at $0.75 per share. The loans mature between August 31, 2022 and October 26, 2022. In accordance with IAS 32, the Company has determined the fair value of liabilities associated with the note by discounting the expected future cash flows of the liability component at the Company's effective interest rate of 15.38%. The fair value of the liability component was $438,095 and the remaining $136,565 was recognized as the equity component of the convertible debt at inception. Accretion of $10,189 and $11,735 was recorded during the three and nine month periods ended December 31, 2020, respectively.

During the nine month period ended December 31, 2020, the Company entered into two additional series of Founders Loans for total proceeds of $300,125 and $300,000, respectively. The loans bear an interest rate of 4.5% on an accrual basis and have a conversion option at $0.75 per share. The loans mature between October 26, 2022 and December 30, 2022. In accordance with IAS 32, the Company has determined the fair value of liabilities by discounting the expected future cash flows of the liability components at the Company's effective interest rate of 15.35%. The fair value of the liability components was $247,810 and $246,346, the remaining $52,315 and $53,655 were recognized as the equity components of the convertible debt instruments at inception. Accretion of $3,156 was recorded during the three and nine month period ended December 31, 2020.

On October 22, 2020, the Company converted $25,000 convertible notes plus accrued interest. The notes were converted to common shares of the Company at $0.375 per share for 68,556 shares.

On November 11, 2020, the Company converted $345,000 convertible notes plus accrued interest. The notes were converted to common shares of the Company at $0.375 per share for 955,061 shares.

On December 21, 2020, the Company converted $50,000 convertible notes plus accrued interest. The notes were converted to common shares of the Company at $0.375 per share for 156,000 shares.

During the period, the Company granted warrants to certain convertible debenture holders to purchase an additional 439,998 common shares of the Company at $0.375 per share. 266,667 liability warrants expired in the period.

### Senior secured debentures

On August 26, 2020, the company entered into a Shares for Debt Agreement where the company issued 502,005 common shares at a deemed price of $0.375 per conversion shares in full payment for unpaid interest in relation to the Senior Secured Debenture issued November 8 to November 20, 2019. As part of this agreement there was a total of 2,460,000 warrants exercised under the debenture loan agreement for total proceeds of $615,000. The terms of the remaining 3,832,770 warrants under the loan agreement were modified to fix the exercise price at $0.375 for an exercise period of 44 months from the issuance date. Previously, these warrants that were issued with the Senior Secured Debentures were classified as financial liabilities because the number of shares to be issued by the Company will vary depending on the Company's share price at the time of a liquidity event. As a result of the modification to the terms, the warrants no longer meet the criteria of a financial liability which has resulted in the Company derecognizing $1,017,201 of financial liability and recognizing $1,240,431 to warrants reserve resulting in a $223,230 loss on the warrant obligation settlement.

### Other long-term debt and promissory notes

Other long-term debt and promissory notes consist of a variety of unsecured notes with terms of between 90 days and five years, and bear interest rates ranging from nil to 7.5%.

On August 5, 2020, the Company entered into a contract for the sale of US$558,750 in future receivables for US$500,000. This contract has a fee of 11.75% and is paid back monthly at a retrieval percentage of 6.5% for August 2020, 8.5% for September 2020, and October 2020, and 15% going forward. During the nine month period ended December 31, 2020, the Company made payments of $341,935 towards this long-term debt obligation.

On August 27, 2020, the Company entered into a Shares for Debt Agreement where the company issued 37,778 common shares at a deemed price of $0.375 per conversion shares in full payment for unpaid interest in relation to a promissory note issued February 8, 2019.

On September 25, 2020, the Company settled the term loan outstanding in the amount of HK$1,340,000 ($231,552 CAD) plus accrued interest of HK$113,000 ($19,526 CAD) plus a penalty interest payment of HK$128,240 ($22,160 CAD) through the issuance of founders loans. The loan boar interest at 10% per annum and matured on May 28, 2020.

On October 8, 2020, the Company entered into a Demand Promissory Note for $25,000 with CE Brands Inc. in relation to the settlement of accounts payable. This note bears no interest and is to be paid on demand.

On October 13, 2020, the Company entered into a contract for the sale of US$560,000 in future receivables for US$500,000. This contract has a fee of 12% and is paid back monthly at a retrieval percentage of 8.5% for the first two months and subsequently 15% going forward.

### Convertible debenture derivatives

The Company has determined the fair value of the convertible debenture conversion derivative based on the present value of the premium received by the lender by converting the notes to equity at time of a go public event or prior to maturity. Since the lender may convert to equity at $0.75 per share at anytime prior to maturity and the conversion rate has an adjustment down feature, there is an effective floor value for the privilege prior to maturity. The present value of the equity value after conversion is reduced by the present value of the principal obligation to obtain the present value of the conversion feature. Management has used a probability distribution of expected IPO price (between $0.50 and $1.65 per share) and delay in months (between 1 and 12 months from issuance) to determine the expected present value of the equity value after conversion. The Company has used the Company's weighted average cost of capital of 36.6% to determine the equity value. The Company has determined the fair value of the convertible debenture fee derivative by discounting the expected future cash flows of the fee derivative calculated as 1.5% of expected future cash flows from the sale of certain product sales between issuance and December 2023, at the Company's weighted average cost of capital.

## 10. Revenue

| | Three months ended December 31, 2020 | Three months ended December 31, 2019 | Nine months ended December 31, 2020 | Nine months ended December 31, 2020 |
|---|---|---|---|---|
| Product sales | $2,996,818 | $2,304,485 | $7,908,894 | $5,459,902 |
| Digital services revenue | 8,518 | 40,305 | 51,071 | 76,173 |
| Contract revenue | - | 5,402 | 919 | 23,401 |
| | $3,005,336 | $2,350,192 | $7,960,884 | $5,559,476 |

The Company's revenues from the transfer of goods and services recognized over time and at a point in time are derived from the following geographical regions by location of the end consumer consists of:

| | Three months ended December 31, 2020 | Three months ended December 31, 2019 | Nine months ended December 31, 2020 | Nine months ended December 31, 2020 |
|---|---|---|---|---|
| Canada | 289,679 | 658,133 | 840,435 | 1,522,158 |
| Germany | 136,706 | 88,787 | 285,003 | 260,630 |
| Hong Kong | 39,835 | 103,772 | 40,929 | 425,120 |
| Spain | 12,973 | 30,217 | 142,282 | 85,878 |
| United Kingdom | 348,415 | 347,585 | 1,707,985 | 748,725 |
| United States | 1,622,729 | 362,881 | 3,492,932 | 1,163,387 |
| Other | 554,999 | 758,817 | 1,451,318 | 1,353,578 |
| | $3,005,336 | $2,350,192 | $7,960,884 | $5,559,476 |

## 11. Finance costs

| | Three months ended December 31, 2020 | Three months ended December 31, 2019 | Nine months ended December 31, 2020 | Nine months ended December 31, 2019 |
|---|---|---|---|---|
| Interest expense | $254,032 | $35,261 | $965,670 | $290,612 |
| Accretion expense | 292,188 | 74,626 | 2,304,947 | 384,521 |
| Amortization of financing costs | 51,835 | - | 51,835 | - |
| Fair value (gain) loss on warrants obligation | 199,230 | (20,000) | (188,640) | (20,000) |
| Fair value loss on convertible debenture derivatives | 79,998 | - | 153,980 | - |
| | $877,283 | $89,887 | $3,287,792 | $655,133 |

## 12. Net changes in non-cash working capital

Net changes in non-cash working capital consists of the following:

| | Nine months ended December 31, 2020 | Nine months ended December 31, 2019 |
|---|---|---|
| Accounts receivable | 383,853 | 94,918 |
| Inventory | (379,703) | (739,917) |
| Prepaid expenses and deposits | 2,175,688 | (2,770,166) |
| Accounts payable and accrued liabilities | 420,404 | 74,337 |
| Due to related parties | 66,843 | - |
| Non-cash proceeds from convertible debentures [1] | 1,236,893 | - |
| Non-cash proceeds from promissory notes | 25,000 | - |
| **Change in non-cash working capital** | 3,928,978 | (3,340,828) |

[1] Refer to note 9 for disclosure on non-cash proceeds from convertible debentures.

## 13. Commitments

The company has minimum royalty guarantees on Kodak and Motorola licensing.

| | Less than 1 year | 1-3 years | 3-5 years | Total |
|---|---|---|---|---|
| Royalty payments | $1,540,572 | $4,702,883 | $2,510,591 | $8,754,046 |

## 14. Subsequent Events

Proposed transactions

On January 28, 2021, CE Brands and the Company entered into an Amended and Restated Amalgamation Agreement (the "Amalgamation Agreement") in connection with the Amalgamation. Pursuant to the Amalgamation Agreement:

a) The common shares of CE Brands will be consolidated on a 20.75-for-one basis; and
b) The Common Shares will be consolidated on a five-for-one basis;
c) The wholly-owned subsidiary of CE Brands and the Company will consummate the Amalgamation;
d) Pursuant to the Amalgamation, the holders of the Common Shares will exchange those Common Shares for post-consolidation common shares of CE Brands on a one-for-one basis.

Although the Amalgamation will result in the Company becoming a wholly-owned subsidiary of CE Brands (the "Resulting Issuer"), it will constitute a reverse takeover ("RTO") for accounting purposes as the former shareholders of the Company will own a substantial majority of the common shares of the Resulting Issuer and all members of the board of directors and management of the Resulting Issuer will be designees of the Company. Upon completion of the Amalgamation, the business of the Resulting Issuer will be the business of the Company. Completion of the Amalgamation is subject to various conditions, including, but not limited to, receipt of approval of the TSX Venture Exchange.

In addition, CE Brands announced that it has entered into an agreement for an offering to be completed prior to the Amalgamation, whereby CE Brands will conduct a public offering of unit subscription receipts (the "Subscription Receipts") via a prospectus. CE Brands intends to sell a maximum of 3,614,457 Subscription Receipts for gross proceeds of $15,000,000. CE Brands has granted the agents an option to offer up to an additional 542,169 Subscription Receipts, solely to cover over-allotments, if any. Each Subscription Receipt entitles the holder of the Subscription Receipt to receive, without payment of additional consideration and without any further action, one unit of the Resulting Issuer (a "Unit") upon the satisfaction of the conditions to the closing of the Amalgamation. Each Unit consists of one common share of the Resulting Issuer (a "Resulting Issuer Share") and one-half of one common share purchase warrant of the Resulting Issuer (a "Resulting Issuer Warrant"). Each such Resulting Issuer Warrant entitles the holder to purchase one additional Resulting Issuer Share, for a purchase of price of $7.50 per Resulting Issuer Share, for a period of 24 months following the date on which the Resulting Issuer Warrant was issued.

Accounts receivable

On March 10, 2021, the Company entered into a contract for the sale of $690,000 of future receivables for US$500,000. This contract is to be repaid over 8 months at $43,124 for the first month and $92,411 each month for the remaining 7 months.

Debt

*Line of credit*

On March 12, 2021, the Company entered into a two-year revolving line of credit loan in the maximum principal amount of up to $3,000,000 as determined based on certain inventory and accounts receivable balances of the Company. The revolving line of credit has a minimum interest rate of 10.5%.

*Convertible debt*

Subsequent to December 31, 2020, the Company received conversion notices for a total of $2,015,000 convertible notes plus accrued interest. $1,355,000 of notes were converted to common shares at $0.375 per share for 3,732,714 shares and $660,000 of notes were converted to common shares at $0.50 per share for 1,320,000 shares.

Subsequent to December 31, 2020, the Company granted additional warrants to certain convertible debenture holders to purchase 736,664 common shares of the Company at $0.375 per share. 13,333 of these warrants that were issued were exercised subsequent to December 31, 2020 for 13,333 shares and proceeds of $5,000.

*Related party debt*

On March 9, 2021, the Company entered into a series of loan agreements with the group of founding shareholders for $425,487. The loans mature within two years and bear an interest rate of 4.5%.

*Senior secured debt*

On January 7, 2021, the Company entered into a Shares for Debt Agreement where the company issued 159,812 common shares at a deemed price of $0.375 per conversion shares in full payment for unpaid interest in relation to the Senior Secured Debenture issued November 8, 2019.

Equity

Subsequent to December 31, 2020, the Company granted an additional 5,066,047 common shares including the shares issued in connection with the various transactions noted above.

**SCHEDULE H**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF EBN FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2020

See attached.

**EBUYNOW ECOMMERCE LTD.**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE INTERIM PERIOD ENDED DECEMBER 31, 2020**

## Introduction

The following management's discussion and analysis ("**MD&A**") of the financial condition and results of the operations of eBuyNow eCommerce Ltd. (the "**Company**") 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, 2020 and December 31, 2019. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's unaudited Interim Condensed Consolidated Financial Statements and accompanying notes for the three and nine month periods ended December 31, 2020 and December 31, 2019, as well as the audited financial statements of the Company for the years ended March 31, 2020 and March 31, 2019, together with the notes thereto which have been prepared in accordance with International Accounting Standard ("**IAS**") 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, of the Company (the "**Board**") considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the class "A" common voting shares in the capital of the Company (the "**Common Shares**"); or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

This MD&A is dated March 18, 2021.

## Forward-Looking Information

This MD&A contains "forward-looking information", as that term is defined by Canadian securities legislation. 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", "expects", "intends", "will", "would", and similar expressions are intended to identify forward-looking information.

The Company has based these statements on estimates and assumptions that we believed were reasonable when the statements were prepared. Actual results could be substantially different because of the risks and uncertainties associated with its business. Important risks that could cause such differences include, but are not limited to, the length of sales cycles, rapid technological advancement, competition, the availability of critical inputs, foreign exchange rate occurrences and doing business in foreign countries. Additionally, differences could arise because of events that are announced or completed after the date of this report, including mergers, acquisitions, other business combinations and divestitures.

Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Also, many of the factors are beyond the control of the Company. Accordingly, readers should not place undue reliance on forward-looking statements or information. The Company undertakes no obligation to reissue or update any forward-looking statements or information as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements and information herein are qualified by this cautionary statement. Actual results, performance or achievements could differ materially from those expressed in, or implied in, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that the Company will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this document are made as of the date of this document and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

***Basis of Presentation***

In this MD&A all references to: (a) “Q3 2021” are to the three month period ended December 31, 2020; (b) “Q3 2020” are to the three month period ended December 31, 2019; (c) “YTD 2021” are to the nine month period ended December 31, 2020; and (d) “YTD 2020” are to the nine month period ended December 31, 2019. The unaudited Interim Condensed Consolidated Financial Statements and the accompanying notes for the three and nine month periods ended December 31, 2020 and December 31, 2019, and this MD&A were reviewed and approved by the Board on March 18, 2021.

**Going concern**

These 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. Future operations are dependent on the Company being able to raise capital through share issuance or alternative financing and continued support from the Company’s existing creditors; the generation of profitability from operations and the ability to discharge obligations as they come due. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The Company had a net loss of $3,625,618 and $10,929,504 for the three and nine month periods ended December 31, 2020, respectively (three and nine months ended December 31, 2019 - $2,429,914 and $6,521,902, respectively), working capital deficiency of $12,780,036 at December 31, 2020 (March 31, 2020 - $8,478,258) and has an accumulated deficit of $25,216,080 at December 31, 2020 (March 31, 2020 – $14,286,576).

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The Company's operations could be negatively impacted by the regional and global outbreak of COVID-19, for an unknown period of time. Any quarantines, supply chain and labor shortages or other disruptions to the Company's operations, or those of their customers, did adversely impact the Company's revenues, ability to provide its products and services and operating results in fiscal 2020 and the nine months ended December 31, 2020, and may continue to adversely impact the Company. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in their services. The extent to which the coronavirus impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

In order to settle its existing liabilities and continue operations, the Company will require additional financing. The amount of capital required cannot be quantified until additional transactions are identified and completed. Failure to obtain such financing on a timely basis could cause the Company to not be able to pay its liabilities and/or reduce or terminate its operations. The Company has a number of debt obligations with interest and principal repayment requirements which the Company has failed to meet on a timely basis. As a result, the holders of these notes are able to demand repayment with little or no notice. As such, the debt and related warrant obligations have been classified as current liabilities on the statement of financial position.

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, 2020 is uncertain. Until this time, management will have to raise funds by way of debt or equity issuances or improve profitability. The Company has raised additional debt and equity subsequent to December 31, 2020.

There can be no assurance that debt or equity financing will continue to be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on the terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects. These conditions create a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the financial statements. Such adjustments could be material.

**Description of the Business**

The Company was incorporated under the *Business Corporation Act* (British Columbia) on April 19, 2012. It sells electronic products online and develops and maintains e-commerce platform hosting services. The Company is domiciled in Canada and the address of its registered office is 301-1321 Blanshard Street, Victoria, BC V8W 0B6.

The Company is an *independent, data-driven consumer electronics company*. It works with proprietary tools to identify precise gaps in the consumer electronics industry, and then proceeds to *build*, *market*, and *distribute* promising consumer electronics goods with *a strictly results-oriented approach*.

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

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

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

**Proposed Transactions**

On June 17, 2019, the Company entered into a non-binding letter of intent with CE Brands Inc. ("CE Brands"), whereby a wholly-owned subsidiary of CE Brands and the Company will amalgamate under the laws of British Columbia and continue as one corporation (the "Amalgamation"). Pursuant to the terms of the Amalgamation, CE Brands will acquire all issued and outstanding Common Shares of the Company.

On January 28, 2021, CE Brands and the Company entered into an Amended and Restated Amalgamation Agreement (the "Amalgamation Agreement") in connection with the Amalgamation. Pursuant to the Amalgamation Agreement:

a) The common shares of CE Brands will be consolidated on a 20.75-for-one basis; and

b) The Common Shares will be consolidated on a five-for-one basis;

c) The wholly-owned subsidiary of CE Brands and the Company will consummate the Amalgamation;

d) Pursuant to the Amalgamation, the holders of the Common Shares will exchange those Common Shares for post-consolidation common shares of CE Brands on a one-for-one basis.

Although the Amalgamation will result in the Company becoming a wholly-owned subsidiary of CE Brands (the "Resulting Issuer"), it will constitute a reverse takeover ("RTO") for accounting purposes as the former shareholders of the Company will own a substantial majority of the common shares of the Resulting Issuer and all members of the board of directors and management of the Resulting Issuer will be designees of the Company. Upon completion of the Amalgamation, the business of the Resulting Issuer will be the business of the Company. Completion of the Amalgamation is subject to various conditions, including, but not limited to, receipt of approval of the TSX Venture Exchange.

In addition, CE Brands announced that it has entered into an agreement for an offering to be completed prior to the Amalgamation, whereby CE Brands will conduct a public offering of unit subscription receipts (the "Subscription Receipts") via a prospectus. CE Brands intends to sell a minimum of 3,614,457 Subscription Receipts for gross proceeds of $15,000,000. CE Brands has granted the agents an option to offer up to an additional 542,169 Subscription Receipts, solely to cover over-allotments, if any. Each Subscription Receipt entitles the holder of the Subscription Receipt to receive, without payment of additional consideration and without any further action, one unit of the Resulting Issuer (a "Unit") upon the satisfaction of the conditions to the closing of the Amalgamation. Each Unit consists of one common share of the Resulting Issuer (a "Resulting Issuer Share") and one-half of one common share purchase warrant of the Resulting Issuer (a "Resulting Issuer Warrant"). Each such Resulting Issuer Warrant entitles the holder to purchase one additional Resulting Issuer Share, for a purchase of price of $7.50 per Resulting Issuer Share, for a period of 24 months following the date on which the Resulting Issuer Warrant was issued.

**Overall Performance**

Select financial and operational highlights include the following:

- Total Revenue increased 28% in Q3 2021 compared to Q3 2020 and 43% in YTD 2021 compared to YTD 2020. The increase was primarily due to the revenue contribution from the continued volume growth in sales on the Moto 360 line.
- Gross profit decreased by 66% in Q3 2021 compared to Q3 2020 and decreased 16% in YTD 2021 compared to YTD 2020. This was due to a lowering of the MSRP on the Moto 360 in response to the pricing strategy due to oversupply by a major competitor, the impact began to be realized in Q2 2021.
- Net loss of $3.6 million in Q3 2021 from $2.4 million in Q3 2020 and $10.9 million in YTD 2021 from $6.5 million in YTD 2020. The increase in net loss was primarily attributable to increased selling and distribution expenses, increased wages and consulting expenses, increased professional fees, increased general and administrative expenses and increased finance costs associated with debt instruments issued in YTD 2021.
- Comprehensive loss of $4.0 million in Q3 2021 from $2.4 million in Q3 2020 and $11.8 million in YTD 2021 from $6.6 million in YTD 2020. The increase in comprehensive loss was primarily attributable to increased selling and distribution expenses, increased wages and consulting expenses, increased professional fees, increased general and administrative expenses, increased finance costs and increased losses on the translation of foreign operations.
- In order to continue to meet customer demand and fulfill projected growing order backlog, the Company will need and continue to pursue ongoing financing to facilitate growth and working capital, primarily for purchasing of inventory and allowing a reasonable time for collection of accounts receivables. The Company is confident that production can be ramped up to meet expected demand.

**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, 2020 and December 31, 2019:

| | **Three months ended December 31,** | | **Nine months ended December 31,** | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Total revenue | 3,005,336 | 2,350,192 | 7,960,884 | 5,559,476 |
| Net loss | (3,625,618) | (2,429,914) | (10,929,504) | (6,521,902) |
| Total comprehensive loss | (3,974,512) | (2,447,020) | (11,786,032) | (6,586,819) |
| Loss per share | (0.04) | (0.03) | (0.13) | (0.09) |

| | **December 31, 2020** | **March 31, 2020** |
|---|---|---|
| Total assets | 14,194,801 | 18,915,238 |
| Total liabilities | 17,208,450 | 14,672,718 |

**Results of Operations**

The following section provides an overview of our financial performance during three and nine month periods ended December 31, 2020 as compared to the three and nine month periods ended December 31, 2019.

| | Three months ended December 31, | | Nine months ended December 31, | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| **Total revenue** | **3,005,336** | **2,350,192** | **7,960,884** | **5,559,476** |
| Cost of products and services | 2,743,016 | 1,582,761 | 6,392,085 | 3,688,292 |
| **Gross Profit** | **262,320** | **767,431** | **1,568,799** | **1,871,184** |
| **Expenses** | | | | |
| Marketing | 394,343 | 879,932 | 1,484,821 | 1,755,717 |
| Selling and distribution | 360,931 | 233,726 | 978,700 | 630,382 |
| Wages and consulting | 747,528 | 753,224 | 2,495,716 | 1,842,574 |
| Royalties and license fees | 127,561 | 208,586 | 530,448 | 759,007 |
| Technology and related | 11,732 | 152,105 | 309,638 | 212,880 |
| Professional fees | 359,395 | 96,952 | 917,957 | 553,651 |
| General and administrative | 624,612 | 211,366 | 774,432 | 368,888 |
| Depreciation | 63,382 | 183,341 | 188,317 | 509,860 |
| Amortization | 238,845 | 195,686 | 855,178 | 590,907 |
| Stock-based compensation | 52,598 | 174,016 | 291,902 | 520,132 |
| Gain (loss) on foreign exchange | 12,182 | 18,524 | 110,318 | (6,045) |
| **Operating loss** | **(2,730,789)** | **(2,340,027)** | **(7,368,628)** | **(5,866,769)** |
| Finance costs | (877,283) | (89,887) | (3,287,792) | (655,133) |
| Loss on warrant obligation settlement | (17,546) | - | (273,084) | - |
| **Loss before income tax** | **(3,625,618)** | **(2,429,914)** | **(10,929,504)** | **(6,521,902)** |
| Income tax expense (recovery) | - | - | - | - |
| **Net loss** | **(3,625,618)** | **(2,429,914)** | **(10,929,504)** | **(6,521,902)** |

***Revenues***

Total Revenue increased 28% in Q3 2021 from Q3 2020. Total Revenue for the YTD 2021 period increased 43% compared to YTD 2020. The increase in both the three and nine month periods was primarily due to the revenue contribution from the continued volume growth in sales on the Moto 360 line.

***Cost of products and services***

Cost of products and services for the three month period increased by 73% in Q3 2021 from Q3 2020 and for the nine month period increased by 73% in YTD 2021 from YTD 2020. Cost of products and services as a percentage of sales were 91% for Q3 2021 from 67% for Q3 2020 and 80% for YTD 2021 compared to 66% for YTD 2020. The increases were due to lower margins from the Moto360 product line.

***Marketing***

Marketing expenses for the three month period decreased 55% over the same period last year. Marketing expenses for the nine month period decreased 15% in YTD 2021 from YTD 2020. Marketing expenses for the three and nine month periods decreased from the prior year as a result of decreased marketing expenditures related to travel year over year as a result of the COVID 19 pandemic.

***Selling and distribution***

Selling and distribution expenses increased 54% in Q3 2021 from Q3 2020. Selling and distribution expenses increased 55% in YTD 2021 from YTD 2020. The increase in both the three and nine month periods was due primarily to increased Amazon marketplace fees associated with increased sales.

***Wages and consulting***

Wages and consulting decreased by 1% during Q3 2021 as compared to Q3 2020. Wages and consulting expenses increased 35% in YTD 2021 as compared to YTD 2020. The decrease between Q3 2021 and Q3 2020 was due to decreased consulting expenditures in the Q3 2021 period. The increase between YTD 2021 as compared to YTD 2020 was primarily the result of increased staffing during Q2 2020 as the Company prepared for the launch of the Moto360 product line and the continued growth in sales of Kodak products.

***Royalties and license fees***

Royalties and license fees in Q3 2021 decreased 39% over the Q3 2020 period and 30% in YTD 2021 as compared to YTD 2020. The decrease in royalties in the three and nine month periods as compared to the prior year is primarily a result of a reduction in Kodak royalties associated with the Company negotiating a modification to the agreement for Kodak royalty payments in 2021 to reduce royalty expenses as a result of the COVID-19 pandemic.

***Technology and related***

Technology and related expenses decreased by 92% in Q3 2021 from Q3 2020 and increased by 45% YTD 2021 from YTD 2020. The decrease in technology and related expenditures from Q3 2020 to Q3 2021 is primarily a result of a non-recurring expenditure on computer and software in Q3 2020 which more than offset the increase in server and IT service fees period over period attributable to the increase in EBN sales and operational activities. The increase in expenses from YTD 2020 to YTD 2021 is primarily related to increased server and IT service fees attributable to the increase in EBN sales and operational activities.

***Professional fees***

Professional fees increased 271% in Q3 2021 from Q3 2020, and increased 66% YTD 2021 from YTD 2020. The increase in the three and nine month periods as compared to the prior year was due to increased costs incurred in relation to the previously disclosed Proposed Transaction.

***General and administrative***

General and administrative expenses increased 196% in Q3 2021 from Q3 2020, and 110% in YTD 2021 from YTD 2020. The increase in both Q3 2021 and YTD 2021 as compared to the prior year comparative periods was primarily the result of increased bad debt expense in the period and an increase in the general and administrative expenses in relation to an underutilized manufacturing obligation of the Company.

***Depreciation***

Depreciation expenses decreased 65% in Q3 2021 from Q3 2020 and 63% in YTD 2021 from YTD 2020. The decrease in depreciation expenses was primarily attributable to the decreasing depreciable base of the Company's PP&E in the current year as opposed to the prior year.

***Amortization***

Amortization expenses increased 22% in Q3 2021 from Q3 2020 and 45% in YTD 2021 from YTD 2020. Increases in amortization expenses were primarily a result of intangible assets additions in fiscal 2020.

***Stock-based compensation***

Stock-based compensation decreased 70% Q3 2021 compared to Q3 2020 and 44% in YTD 2021 from YTD 2020. The decrease in stock-based compensation was primarily due to staff added in the 2021 period receiving comparatively less options than in the prior period and adjustments to stock-based compensation expense for forfeitures in the period.

***Finance costs***

Finance costs increased 876% in Q3 2021 compared to Q3 2020 and 402% in YTD 2021 as compared to YTD 2020. The increase in Finance costs was primarily attributable to incremental interest and accretion expense pertaining to the issuance of convertible debentures in the current year, incremental interest expense on warrants issued during YTD 2021 and the associated incremental amortization of deferred financing costs in the YTD 2021 period as compared to the YTD 2020 period.

***Loss on warrant obligation settlement***

Loss on warrant obligation settlement in the Q3 2021 and YTD 2021 periods was primarily attributable to a contract amendment on the November 2019 senior secured debenture issuance which resulted in the settlement of the warrant obligation, the recognition of warrant reserve equity associated with the warrants and a corresponding loss on settlement.

**Liquidity and Capital Resources**

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

| | **December 31, 2020** | **March 31, 2020** |
|---|---:|---:|
| Cash | 510,041 | 521,060 |
| Total current assets | 3,488,406 | 6,065,500 |
| Total current liabilities | 16,268,442 | 14,543,758 |
| Working Capital | (12,780,036) | (8,478,258) |

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 the light of changes to economic conditions and the risk characteristics of 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.

There can be no assurance that the Company will be able to obtain adequate financing in the future so that the terms of such financing will be favorable. If adequate financing is not available when required, the company may be unable to continue operating. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on the terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interest of the Company's shareholders and may result in dilution to the value of such interests.

As at December 31, 2020, certain debt amounts are classified as current debt obligations as the Company has failed to comply with certain debt covenants by not making timely interest payments and as a result the lenders have the right to demand repayment with minimal or no notice.

The Company intends to generate sufficient amounts of cash and cash equivalents in order to finance short term and long term business objectives and settle existing liabilities through debt financing and equity offerings. The Company is in the process of completing the Proposed Transaction as discussed previously in this MD&A, the funding from which would provide the Company with the liquidity that is required to fund business development activities and satisfy certain debt covenants that the Company has failed to comply with.

Failure to obtain such financing on a timely basis could cause the Company to not be able to pay its liabilities and/or reduce or terminate its operations. The Company has a number of debt obligations with interest and principal repayment requirements which the Company has failed to meet on a timely basis. As a result, the holders of these notes are able to demand repayment with little or no notice.

The Company does not expect 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 does not currently have any inventory commitments which require a maintenance of inventory in order to meet customer delivery requirements.

The Company does not anticipate liquidity risks associated with the financial instruments of the Company.

The Company currently has a working capital deficiency and future operations are dependent on the Company being able to raise capital through share issuance or alternative financing and continued support from the Company's existing creditors; the generation of profitability from operations and the ability to discharge obligations as they come due. The Company anticipates that the proceeds of the Proposed Transaction will allow the Company discharge certain obligations and generate profitability from future operations as the Company will be sufficiently capitalized to meet demand for sales.

The Company intends to use a portion of the proceeds from the Proposed Transaction to develop several new products in the next fiscal year. The new products are expected to include air purifiers, smart lighting, home security, new watch models, new baby monitor models, air conditioning and dehumidifiers. The Company anticipates the capital spending plans will require $2.5 million in inventory expenditures and $0.2 million in research and development expenditures to launch these products.

***Cash Flows***

| | **Nine month periods ended December 31** | |
|---|---|---|
| | **2020** | **2019** |
| Cash flow from (used) in: | | |
| Operating activities | (3,069,923) | (7,877,311) |
| Investing activities | (89,526) | (780,423) |
| Financing activities | 2,906,033 | 8,774,704 |
| Effect of change in foreign exchange rates on cash | 242,397 | 167,424 |
| Net increase (decrease) in cash | (11,019) | 284,394 |
| Cash, beginning of period | 521,060 | 743,566 |
| Cash, end of period | 510,041 | 1,027,960 |

The consolidated financial statements have been prepared using IFRS that are applicable to a going concern, which contemplates the realization of asset and settlement of liabilities in the normal course of business for the foreseeable future. The Company has experienced operating losses from operations as a result of sales, marketing and business development. Although the Company is in a position where sales channels have grown and more opportunities exist, there is no assurance those opportunities will

materialize and it may require ongoing financing. Management cannot provide any assurance that the Company will ultimately achieve profitable operations, become cash flow positive or will be able to raise additional debt and/or equity capital.

***Operating Activities***

During the nine month period ended December 31, 2020, cash used in operating activities was $3.1 million, compared to $7.9 million for the nine month period ending December 31, 2019. The change in cash flow used in operating activities year over year was due primarily to increased net loss and changes in non-cash working capital.

***Investing Activities***

During the nine month period ended December 31, 2020, cash used in investing activities was $0.1 million, compared to $0.8 million for the nine month period ended December 31, 2019. The change in cash used in investing activities was a result of a decrease in capital expenditures year over year.

***Financing Activities***

During the nine month period ended December 31, 2020, cash from financing activities was $2.9 million, compared to $8.8 million for the nine month period ended December 31, 2019. The change year over year was primarily a result of decreased equity sales and a decrease in the issuance of long-term debt in the nine month period ended December 31, 2020.

***Commitments***

The Company does not have any commitments for capital expenditures as of December 31, 2020. The Company has entered into key licensing contracts on its products. Under these arrangements, the Company is required to pay sales based royalties of 5%. The Company is required to make future minimum royalty payments, excluding any optional renewal periods.

| | Less than 1 year | 1-3 years | 3-5 years | Total |
|---|---|---|---|---|
| Royalty payments | 1,540,572 | 4,702,883 | 2,510,591 | 8,754,046 |

**Off-Balance Sheet Arrangements**

As at the date of this MD&A, the Company has not entered into any off-balance sheet arrangements.

**Transactions Between Related Parties**

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

| | December 31, 2020 | March 31, 2020 |
|---|---|---|
| Due to current/former shareholders and officers | 323,858 | 365,705 |

| | | |
|---|---|---|
| Due from Karma Ventures Limited | - | (66,970) |
| | 323,858 | 298,735 |

Karma Ventures Limited is related by common ownership. In 2018, the Company advanced funds to assist in business operations. The loan is non-interest bearing, unsecured and has no fixed terms of repayment. During the period ending December 31,2020, the full receivable balance was forgiven.

During the period ended December 31, 2020, the Company received loans from a group of founding shareholders for $574,660 including proceeds of $301,500 and the settlement of an existing loan for $273,160. The loans mature between August 31, 2022 and September 29, 2022 and bear an interest rate of 4.5% per annum. The loans have a conversion option at the discretion of the lenders to convert the loan into the Company's equity share capital.

During the period ended December 31, 2020, the Company received loans from a group of founding shareholders for proceeds of $600,125. The loans mature between October 26, 2022 and December 30, 2022 and bear an interest rate of 4.5% per annum. The loans have a conversion option at the discretion of the lenders to convert the loan into the Company's equity share capital.

At December 31, 2020, accounts payable and accrued liabilities includes $234,654 of amounts owed to directors and officers of the Company (March 31, 2020 - $192,812).

**Outstanding Share Data**

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

- 84,481,951 Common Shares;
- there are 15,907,479 warrants to purchase an additional Common Share; and
- there are 6,825,000 options to purchase an additional Common Share

**Financial Instruments and Other Instruments**

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

**Financial Risk Management**

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

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company provides credit to its customers in the normal course of its operations, the maximum exposure to credit risk at December 31, 2020 and March 31, 2020 is as follows:

| | **December 31, 2020** | **March 31, 2020** |
|---|---:|---:|
| Cash | 510,041 | 521,060 |
| Accounts receivable | 407,457 | 879,114 |
| Total | 917,498 | 1,400,174 |

There is no concentration of credit risk with respect to accounts receivables, as the Company has a large number of customers, internationally dispersed. The Company considers accounts greater than 60 days old overdue. Accounts receivable includes $564,268 and $111,430 of accounts that are greater than 60 days old as at December 31, 2020 and March 31, 2020, respectively. The Company has recognized an expected credit loss of $261,698 and $11,337 on the accounts receivable at December 31, 2020 and March 31, 2020, respectively.

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.

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

Market risk

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

> ***Interest rate risk*** Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on the operating line of credit and long-term debt that bear interest at variable rates of interest. A 1% increase in the interest rate would have an $100,700 increase on the net loss and accumulated deficit of the Company.
>
> ***Foreign exchange risk*** The Company's financial performance is closely linked to foreign exchange currency. 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. The Company currently has not obtained any hedging instruments to mitigate the potential effects of price fluctuations. A 1% increase in the exchange rate would have a $45,168 increase on the net loss and accumulated deficit of the Company.

**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:

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

*Key Employees* - The success of the Company is largely dependent on the performance of its key employees and directors. The failure to retain key employees and directors and to attract and retain additional key employees with the necessary skills could have a material adverse impact upon the Company's growth and profitability. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the departure of any of the members of the Company's executive team or key directors could have a material adverse effect on the Company's business, results of operations and financial condition.

*Capitalization* - 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 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. Failure to obtain such additional financing could result in the curtailment of operations, liquidation of assets, seeking additional capital on less favorable terms and/or other remedial measures.

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

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

*History of Operating Losses* - The Company has an accumulated deficit through March 31, 2019. 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.

*Product Defect* – 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 defect can cause significant risk.

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

*Seasonality* – The Company believes its transaction-based revenues will begin to represent an increasing proportion of its overall revenue mix over time, and expects seasonality of its quarterly results to vary. The Company may experience seasonal fluctuations for a variety of reasons, many of which are outside the Company's control.

*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.

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

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

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

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

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

**Critical accounting policies and estimates**

The preparation of the consolidated financial statements and application of IFRS require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited interim consolidated financial statements, are disclosed in the Company's consolidated financial statements for the year ended March 31, 2020 and in the unaudited condensed consolidated interim financial statements as at December 31, 2020 and December 31, 2019 for detailed critical accounting estimates.

For the period ended December 31, 2020 the Company had the following addition to its accounting policy.

*Accounts Receivable*

Accounts receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days. In the event of sale of receivables and factoring, the Company derecognizes receivables when the Company has given up control or continuing involvement, which is deemed to have occurred when the Company has transferred its rights to receive cash flows from the receivables and the Company has transferred substantially all of the risks and rewards of ownership of the receivables. Prior to transferring the risks and rewards of ownership of receivables, the Company's receivables are recognized to the extent of the Company's continuing involvement in the assets. In this case, the Company also recognizes an associated liability. The transferred receivable and associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

**Subsequent Events**

Accounts receivable

On March 10, 2021, the Company entered into a contract for the sale of $690,000 of future receivables for US$500,000. This contract is to be repaid over 8 months at $43,124 for the first month and $92,411 each month for the remaining 7 months.

Debt

*Line of credit*

On March 12, 2021, the Company entered into a two-year revolving line of credit loan in the maximum principal amount of up $3,000,000 as determined based on certain inventory and accounts receivable balances of the Company. The revolving line of credit has a minimum interest rate of 10.5%.

*Convertible debt*

Subsequent to December 31, 2020, the Company received conversion notices for a total of $2,015,000 convertible notes plus accrued interest. $1,355,000 of notes were converted to common shares at $0.375 per share for 3,732,714 shares and $660,000 of notes were converted to common shares at $0.50 per share for 1,320,000 shares.

Subsequent to December 31, 2020, the Company granted additional warrants to certain convertible debenture holders to purchase 736,664 common shares of the Company at $0.375 per share. 13,333 of these warrants that were issued were exercised subsequent to December 31, 2020 for 13,333 shares and proceeds of $5,000.

*Related party debt*

On March 9, 2021, the Company entered into a series of loan agreements with the group of founding shareholders for $425,487. The loans mature within two years and bear an interest rate of 4.5%

*Senior secured debt*

On January 7, 2021, the Company entered into a Shares for Debt Agreement where the company issued 159,812 common shares at a deemed price of $0.375 per conversion shares in full payment for unpaid interest in relation to the Senior Secured Debenture issued November 8, 2019.

Equity

Subsequent to December 31, 2020, the Company granted an additional 5,066,047 common shares including the shares issued in connection with the various transactions noted above.

**SCHEDULE I**

AUDITED FINANCIAL STATEMENTS OF EBN FOR THE YEARS ENDED MARCH 31, 2020, MARCH 31, 2019, AND MARCH 31, 2018

See attached.

Consolidated Financial Statements of

# eBuyNow eCommerce Ltd.

As at and for the years ended March 31, 2020 and 2019

*(expressed in Canadian dollars)*

RSM

**INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of eBuyNow eCommerce Ltd.

*Opinion*

We have audited the consolidated financial statements of eBuyNow eCommerce Ltd., (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2020 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Material Uncertainty Related to Going Concern*

We draw attention to Note 2(b) of the consolidated financial statements, which indicates that the Company incurred a net loss of $10,458,337 during the year ended March 31, 2020 and, as of that date, the Company's current liabilities exceeded its current assets by $8,478,258. As stated in Note 2(b), these events or conditions, along with other matters as set forth in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*Other Matter*

The consolidated financial statements of the Company for the year ended March 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on June 12, 2020.

*Other Information*

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
February 2, 2021
Toronto, Ontario

**eBuyNow eCommerce Ltd.**
**Consolidated Statements of Financial Position**
**As at March 31, 2020 and 2019**

| | Note | | 2020 | | 2019 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current Assets | | | | | |
| Cash | | $ | **521,060** | $ | 743,566 |
| Accounts receivable | 5 | | **879,114** | | 791,242 |
| Inventory | 3 (f) | | **1,968,286** | | 1,263,193 |
| Prepaids and deposits | 6 | | **2,697,040** | | 47,164 |
| | | | **6,065,500** | | 2,845,165 |
| Property, plant and equipment | 7 | | **531,408** | | 67,031 |
| Right of use asset | 8 | | **227,336** | | 615,164 |
| Intangible assets | 9 | | **1,704,020** | | 2,278,381 |
| Goodwill | 9 | | **10,386,974** | | 9,647,381 |
| **Total assets** | | $ | **18,915,238** | $ | 15,453,122 |
| **Liabilities** | | | | | |
| Current liabilities | | | | | |
| Operating line of credit | 11 | $ | **-** | $ | 64,818 |
| Accounts payable and accrued liabilities | 12 | | **6,475,289** | | 3,325,641 |
| Due to related parties | 13 | | **298,735** | | 334,196 |
| Warrant obligations | 15 | | **1,444,912** | | - |
| Current portion of lease liabilities | 14 | | **267,690** | | 437,656 |
| Current portion of long-term debt | 15 | | **6,057,132** | | 1,448,855 |
| | | | **14,543,758** | | 5,611,166 |
| Lease liabilities | 14 | | **-** | | 249,428 |
| Long-term debt | 15 | | **128,960** | | 2,808,645 |
| **Total liabilities** | | | **14,672,718** | | 8,669,239 |
| **Shareholders' Equity** | | | | | |
| Share capital | 19 | | **14,098,504** | | 8,681,389 |
| Share issuance deposits | | | **-** | | 1,015,013 |
| Equity component of convertible debt | | | **757,540** | | 717,975 |
| Warrants reserve | | | **2,171,470** | | - |
| Contributed surplus | | | **760,907** | | 66,280 |
| Accumulated other comprehensive income | | | **740,675** | | 131,465 |
| Accumulated deficit | | | **(14,286,576)** | | (3,828,239) |
| **Total shareholder's equity** | | | **4,242,520** | | 6,783,883 |
| **Total Liabilities and Shareholders' Equity** | | $ | **18,915,238** | $ | 15,453,122 |

Going concern (Note 2b)
Commitments (Note 23)
Subsequent events (Notes 13, 15, 21 and 24)

See accompanying notes to the consolidated financial statements.

**eBuyNow eCommerce Ltd.**
**Consolidated Statements of Loss and Comprehensive Loss**
**For the years ended March 31, 2020 and 2019**

| | Note | **2020** | **2019** |
|---|---|---|---|
| Revenue | 16 | **$7,299,077** | $2,625,761 |
| Cost of products and services | | **5,455,576** | 1,954,230 |
| **Gross Profit** | | **1,843,501** | 671,531 |
| | | | |
| **Expenses** | | | |
| Marketing | | **2,369,738** | 584,315 |
| Selling and distribution | | **778,663** | 292,914 |
| Wages and contractors | 17 | **3,009,488** | 1,442,977 |
| Royalties and license fees | | **967,592** | 147,482 |
| Technology and related | | **269,538** | 103,411 |
| Professional fees | | **1,243,902** | 964,025 |
| General and administrative | | **605,476** | 157,727 |
| Depreciation | 7 | **270,775** | 974 |
| Amortization | 8,9 | **1,204,358** | 202,006 |
| Stock-based compensation | 20 | **694,627** | 66,280 |
| Gain on foreign exchange | | **(307,921)** | (19,955) |
| | | | |
| **Operating loss** | | **(9,262,735)** | (3,270,625) |
| Finance costs | 18 | **(1,195,602)** | (202,347) |
| Other expense | | **-** | (23,324) |
| **Loss before income tax** | | **(10,458,337)** | (3,496,296) |
| Income tax recovery | 21 | **-** | (391,995) |
| **Net loss** | | **(10,458,337)** | (3,104,301) |
| **Other comprehensive income for the year** | | | |
| Gain on translation of foreign operations that may be subsequently reclassified to profit and loss | | **609,210** | 131,465 |
| **Total Comprehensive loss for the year** | | **$(9,849,127)** | $(2,972,836) |
| | | | |
| Net loss per share | 19 | $(0.14) | $(0.08) |

See accompanying notes to the consolidated financial statements.

## eBuyNow eCommerce Ltd.
## Consolidated Statements of Changes in Shareholders' Equity
## For the years ended March 31, 2020 and 2019

| | *Note* | *Number of shares* | *Number of warrants* | Share capital | Share Issuance Deposits | Equity Component of Convertible Debt | Warrants Reserve | Contributed Surplus | Accumulated (Deficit) | Accumulated other comprehensive income | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at March 31, 2018** | | *33,912,500* | - | $200 | $ - | $ - | $ - | $ - | $(354,336) | $ - | $(354,136) |
| Issuance of shares | | *6,087,500* | - | 60,876 | - | - | - | - | - | - | 60,876 |
| Deposits received for share issuances | | - | - | - | 1,015,013 | - | - | - | - | - | 1,015,013 |
| Shares issued on acquisition | | *22,987,500* | - | 8,620,313 | - | - | - | - | - | - | 8,620,313 |
| Issuance of convertible debentures | | - | - | - | - | 717,975 | - | - | - | - | 717,975 |
| Stock-based compensation | | - | - | - | - | - | - | 66,280 | - | - | 66,280 |
| Common control transactions | *10* | - | - | - | - | - | - | - | (369,602) | - | (369,602) |
| Net loss for the year | | - | - | - | - | - | - | - | (3,104,301) | - | (3,104,301) |
| Other comprehensive income for the year | | - | - | - | - | - | - | - | - | 131,465 | 131,465 |
| **Balance at March 31, 2019** | | *62,987,500* | - | **$8,681,389** | **$1,015,013** | **$717,975** | **$ -** | **$66,280** | **$(3,828,239)** | **$131,465** | **$6,783,883** |
| Issuance of subscription units | 19 | *11,016,700* | *11,016,700* | 3,672,247 | (1,015,013) | - | 2,090,265 | - | - | - | 4,747,499 |
| Issuance of shares | 19 | *2,674,277* | - | 1,500,509 | - | - | - | - | - | - | 1,500,509 |
| Share issuance costs | | - | - | (24,254) | - | - | - | - | - | - | (24,254) |
| Issuance of convertible debentures | | - | - | - | - | 39,565 | - | - | - | - | 39,565 |
| Convertible debentures converted to common shares | *15* | *716,300* | - | 268,613 | - | - | - | - | - | - | 268,613 |
| Issuance of broker warrants | *19* | - | *570,000* | - | - | - | 81,205 | - | - | - | 81,205 |
| Stock-based compensation | *20* | - | - | - | - | - | - | 694,627 | - | - | 694,627 |
| Net loss for the year | | - | - | - | - | - | - | - | (10,458,337) | - | (10,458,337) |
| Other comprehensive income for the year | | - | - | - | - | - | - | - | - | 609,210 | 609,210 |
| **Balance at March 31, 2020** | | ***77,394,777*** | ***11,586,700*** | **$14,098,504** | **$ -** | **$757,540** | **$2,171,470** | **$760,907** | **$(14,286,576)** | **$740,675** | **$4,242,520** |

See accompanying notes to the consolidated financial statements.

**eBuyNow eCommerce Ltd.**
**Consolidated Statements of Cash Flows**
**For the years ended March 31, 2020 and 2019**

| | Note | | 2020 | | 2019 |
|---|---|---|---|---|---|
| **Cash provided by (used in):** | | | | | |
| **Cash flows used in operating activities** | | | | | |
| Net loss | | $ | **(10,458,337)** | $ | (3,104,301) |
| Items not affecting cash: | | | | | |
| Amortization and Depreciation | | | **1,475,133** | | 202,980 |
| Accretion | 18 | | **683,661** | | 89,997 |
| Stock-based compensation | | | **694,627** | | 66,280 |
| Fair value loss on warrants obligation | 18 | | **23,792** | | |
| Income tax recovery | | | **-** | | (391,995) |
| Loss on disposal of assets | | | **-** | | 23,324 |
| Change in non-cash working capital | 22 | | **(293,193)** | | 1,045,944 |
| **Net cash (used in) operating activities** | | | **(7,874,317)** | | (2,067,771) |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment and intangibles | | | **(833,680)** | | (6,572) |
| Cash acquired on acquisition | | | - | | 161,070 |
| Proceeds from sale of equipment | | | - | | 4,698 |
| **Net cash provided by (used in) investing activities** | | | **(833,680)** | | 159,196 |
| **Cash flows from financing activities** | | | | | |
| Repayment of amounts due to related parties | | | **(35,462)** | | (206,167) |
| Repayment of long-term debt | | | **(690,403)** | | (21,200) |
| Repayment of operating line of credit | | | **(64,818)** | | (512,350) |
| Proceeds from long-term debt | | | **3,702,696** | | 2,321,698 |
| Repayment of lease liabilities | | | **(493,847)** | | (3,298) |
| Deposit on share issuance | | | **-** | | 1,015,013 |
| Issuance of share capital | | | **6,304,958** | | 60,876 |
| **Net cash provided by financing activities** | | | **8,723,124** | | 2,654,572 |
| **Effect of change in foreign exchange rates on cash** | | | **(237,633)** | | (27,812) |
| **Increase (decrease) in cash** | | | **(222,506)** | | 718,185 |
| **Cash, beginning of year** | | | **743,566** | | 25,381 |
| **Cash, end of year** | | $ | **521,060** | $ | 743,566 |

See accompanying notes to the consolidated financial statements

## 1. Company overview

eBuyNow eCommerce Ltd. (the "Company") was incorporated under the British Columbia Business Corporation Act on April 19, 2012. Through sales data analytics, eBuyNow selects growth consumer electronics products for sale through their direct to consumer e-commerce platforms via global retail channels in multiple countries. The Company's headquarter is in Canada and the address of its registered office is 301-1321 Blanshard St, Victoria, BC, V8W 0B6.

## 2. Basis of presentation and going concern

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These consolidated financial statements were authorized for issue by the Board of Directors of the Company on February 2, 2021.

### (b) Going concern

These 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. Future operations are dependent on the Company being able to raise capital through share issuance or alternative financing and continued support from the Company's existing creditors; the generation of profitability from operations and the ability to discharge obligations as they come due. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The Company had a net loss of $10,458,337 for the year ended March 31, 2020 (2019 - $3,104,301), working capital deficiency of $8,478,258 (2019 - $2,766,001) and has an accumulated deficit of $14,286,576 at March 31, 2020 (2019 – $3,828,239).

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The Company's operations could be negatively impacted by the regional and global outbreak of COVID-19, for an unknown period of time. Any quarantines, supply chain and labor shortages or other disruptions to the Company's operations, or those of their customers, did adversely impact the Company's revenues, ability to provide its products and services and operating results in fiscal 2020 and may continue to adversely impact the Company. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in their services. The extent to which the coronavirus impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

## 2. Basis of presentation and going concern (continued) – (b) Going concern (continued)

In order to settle its existing liabilities and continue operations, the Company will require additional financing. The amount of capital required cannot be quantified until additional transactions are identified and completed. Failure to obtain such financing on a timely basis could cause the Company to not be able to pay its liabilities and/or reduce or terminate its operations. The Company has a number of debt obligations with interest and principal repayment requirements which the Company has failed to meet on a timely basis. As a result, the holders of these notes are able to demand repayment with little or no notice. As such, the debt and related warrant obligations have been classified as current liabilities on the statement of financial position.

Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to March 31, 2020 is uncertain. Until this time, management will have to raise funds by way of debt or equity issuances or improve profitability. The Company has raised additional debt and equity subsequent to year-end.

There can be no assurance that debt or equity financing will continue to be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on the terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects. These conditions create a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the financial statements. Such adjustments could be material.

### (c) Basis of consolidation

The Company, as the controlling company, consolidates all of its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated on consolidation. Subsidiaries are those entities the Company controls by having the power to govern the financial and operating policies of the entity. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date the Company acquires control of them and are deconsolidated from the date control ceases.

## 2. Basis of presentation and going concern (continued)

### (d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars ("CAD"), which is the Company's functional currency. The functional currencies of the Company's subsidiaries are as follows:

| Subsidiary | Place of Incorporation | Currency |
|---|---|---|
| eBuyNow LLC | USA | United States Dollar ("USD") |
| eBuyNow eCommerce Ltd. | United Kingdom | British Pound ("GBP") |
| eBuyNow eCommerce B.V. | Netherlands | Euro ("EUR") |
| eBuyNow eCommerce, S. DE R.L. DE C.V. | Mexico | Mexican Peso ("MXN") |
| eBN eCommerce Private Limited | India | Indian Rupee ("INR") |
| PerimeterSafe Holdings Limited | Canada | CAD |
| EBN Holdings Ltd. | Canada | CAD |
| PerimeterSafe Home Monitoring Limited | Canada | CAD |
| Premietech Limited | Hong Kong | Hong Kong dollar ("HKD") |
| Cinatic Technology Ltd. | Hong Kong | HKD |
| Cinatic Shenzhen | China | Chinese Renminbi ("RMB") |
| Premielink Company Limited | Vietnam | Vietnamese Dong ("VND") |

### (e) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for items where an alternative basis is required or permitted by IFRS. Details on these items are included below in Significant Accounting Policies.

### (f) Critical accounting estimates

The preparation of the consolidated financial statements and application of IFRS require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below in Critical Accounting Estimates and Assumptions.

### (g) Accounting standards issued but not yet adopted

*IFRS 3 Business combinations*

The IASB has published an amendment to IFRS 3 "Business Combinations". The amendment clarifies the definition of a business and outputs. The amendment also adds guidance that determines if substantive processes have been acquired or if an acquired set of activities and assets is a business. The amendments are effective for fiscal years beginning on or after January 1, 2020. The Company will apply these amendments to IFRS 3 to applicable future acquisitions.

## 3. Significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into Canadian Dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and intangibles acquired in business combinations involving foreign operations, are translated into Canadian Dollars using the exchange rates at the financial year-end date. The revenues and expenses of foreign operations are translated into Canadian Dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognized in other comprehensive income.

### (b) Cash and cash equivalents

Cash includes cash on hand and deposits held at call with financial institutions. Cash equivalents include other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Company did not have any cash equivalents at March 31, 2020 and 2019.

### (c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

<u>Classification</u>

The Company classifies its financial assets in the following three categories:

- Assets carried at amortized cost (“Amortized Cost”)
- Assets carried at fair value through other comprehensive income (“FVTOCI”)
- Assets carried at fair value through profit and loss (“FVTPL”)

The classification depends on both the Company’s business model for managing the financial instrument and the contractual terms of the instrument itself. The Company has classified cash, accounts receivable and amounts due from related parties as financial assets carried at amortized costs.

**3. Significant accounting policies (continued) – (c) Financial instruments**

A financial asset is classified as Amortized Cost if the objective of the business model is to hold the financial asset for the collection of the cash flows; and all contractual cash flows represent only principal and interest on that principal.

A financial asset is classified as FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. The Company has no financial assets classified as FVTOCI.

All financial assets that do not meet the criteria to be classified as Amortized Cost or FVTOCI are classified as FVTPL, this includes all derivative financial assets. The Company may make an irrevocable election to designate a financial asset that would otherwise be classified in another category as FVTPL. If the election is made it is irrevocable, meaning that asset must remain categorized as FVTPL until that asset is derecognized. The Company has no financial assets classified as FVTPL.

Purchases and sale of financial assets are recognized on the settlement date, which is the date in which the asset is delivered to or by the Company. Financial assets are derecognized when the rights to receive cash flows have expired or are transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities are initially measured at fair value net of transaction costs and subsequently measured at amortized cost using the effective interest method or fair value through profit and loss. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts through the expected life of the financial liability, or where appropriate a shorter period, to the net carrying amount on initial recognition.

The Company has classified operating line of credit, accounts payable and accrued liabilities, due to related parties and long-term debt as financial liabilities carried at amortized cost. The Company has classified warrant obligations as financial liabilities measured at fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss.

Financial liabilities are de-recognized from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

**3. Significant accounting policies – (c) Financial instruments (continued)**

Measurement

Financial assets carried at Amortized Cost or FVTOCI are initially measured at their fair value plus transactions costs. Financial assets carried at FVTPL are initially measured at their value, with any associated transaction costs being immediately expensed through profit or loss. Subsequent measurement of financial assets depends on the category the asset has been assigned to.

Gains or losses on assets carried at Amortized Cost are recorded in profit or loss upon derecognition, or earlier if the asset is impaired. Gains or losses on assets carried at FVTPL are recorded in profit or loss in the period in which they occur.

Impairment

The Company recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. Expected credit losses exist if, after initial recognition of the financial asset, one or more indicators exist that reduce estimated future cash flows from the financial asset and that impact can be reliably measured. The Company applies the simplified approach to expected credit loss measurement, which uses a lifetime expected impairment to determine the expected credit loss. The Company uses a combination of historical and forward-looking information to determine the appropriate expected credit loss. The carrying amount of the asset is reduced through an allowance account, and the loss is recognized in general and administrative expenses.

**(d) Determination of fair values**

Certain of the Company's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair values of cash, accounts receivable, and accounts payable and accrued liabilities approximates their carrying values due to their short term to maturity.

The significance of inputs used in making fair value measurements for assets and liabilities measured at fair value are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

**(e) Accounts receivable**

Accounts receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

## 3. Significant accounting policies (continued)

### (f) Inventory

Inventory consists of finished goods that are stated at the lower of cost and net realizable value on an average cost basis. Costs of purchased inventory include purchase and delivery costs, net of rebates and discounts received or receivable. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

During the year ended March 31, 2020, $5,455,576 (2019 - $1,954,230) of inventory was recognized in cost of products sold.

During the year ended March 31, 2020, $nil of inventories were written down to net realizable value (2019 - $202,004). This charge is included within the cost of sales in the consolidated statements of loss and comprehensive loss.

### (g) Property, plant and equipment

Property, plant and equipment is presented at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

| | | |
|---|---|---|
| Computer Equipment | – | 3 years |
| Tooling and Other Equipment | – | 3 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is de-recognized upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### (h) Leases

A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis, determined as the present value of future lease payments at commencement date, discounted using the interest rate implicit in the lease or, if not readily determinable, the Company's incremental borrowing rate on similar assets. Right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term.

## 3. Significant accounting policies (continued)

### (i) Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets acquired through asset acquisitions or business combinations are initially recognized at fair value, based on an allocation of the purchase price. The intangible assets consist of acquired technology and customer relationships and are amortized on a straight-line basis over their estimated useful lives of three years.

The amortization method, estimated useful lives and residual values are reviewed annually, or more frequently, if required and are adjusted as appropriate.

### (j) Accounts payable

Trade payables are amounts due to suppliers for merchandise purchased or services received in the ordinary course of business.

### (k) Long-term debt

Long-term debt is initially recognized at fair value, net of transaction costs, and are subsequently measured at amortized cost. Any difference between cost and the face value is recognized in the statement of income over the period of the borrowings using the effective interest method. Amounts classified as long-term debt are due more than 12 months after the end of the reporting date; any amounts due within 12 months are reclassified to short-term debt in the reporting period in which they become due within 12 months.

### (l) Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### (m) Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

### (n) Compound financial instruments

The components of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the issuance date, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability based on amortized cost until the instrument is converted or matures. The equity component is determined by deducting the liability component from the total fair value of the compound instrument and is recognized as equity, net of income tax effects, with no subsequent re-measurement.

## 3. Significant accounting policies (continued)

### (o) Research and development costs

Internally generated expenses on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in profit or loss as an expense in the period in which they are incurred. Internally generated development costs are capitalized when the costs are expected to provide future benefits with reasonable certainty and the costs meet all the criteria for capitalization. No internal development costs have been capitalized as at and during the fiscal periods ended March 31, 2020 and 2019.

### (p) Income taxes

Income tax expense or recovery is comprised of current and deferred tax. Income tax expense or recovery is recognized in profit or loss except to the extent that it relates to items recognized in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, plus any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, including carry forward of non-capital losses, can be utilized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they are related to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, where the intention is to settle current tax liabilities and asset on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that the related tax benefit will be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future profit will allow the deferred tax asset to be recovered.

## 3. Significant accounting policies (continued)

### (q) Stock-based compensation

The Company uses the fair value method for valuing stock-based compensation. Under this method, the cost attributed to stock options and warrants granted is measured at the fair value using the Black-Scholes option pricing model at the grant date; compensation cost for options is expensed over the vesting period with a corresponding increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. The Company has used a nil forfeiture rate during the years ended March 31, 2020 and 2019. Upon the settlement of the stock options and warrants the previously recognized value is recorded as an increase to share capital.

### (r) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the common shares are recognized as a deduction from equity, net of any tax effects.

### (s) Revenue recognition

The Revenue is recognized in a manner that depicts the transfer of promised goods or services to the customer at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. For each contract with a customer, the Company applies the following five step model:

1) Identify the contract with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price which takes into account estimates of variable consideration and the time value of money;
4) Allocate the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
5) Recognize revenue when the performance obligation is satisfied and in a manner that depicts the transfer of the goods or services promised to the customer.

The Company's sources of revenue consist of:

i. eCommerce Product Sales

The Company purchases and sells a range of electronic products such as smartwatches and baby monitors. Sales are recognized when control of the products has transferred, being when the products are shipped to the end customer, the customer has full discretion over the use of the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Payment of the transaction price is due immediately when the customer purchases the product online. The Company does not grant any form of deferred payment terms to customers. It is the Company's policy to sell its products to the end customer with a right of return within 30 days.

**3. Significant accounting policies (continued) – (s) Revenue recognition (continued)**

The Company generates Product Sales over its eCPs. Revenue earned from E-Commerce Product Sales is recognized at a point in time, upon shipment of goods. Shipment occurs when the products have been shipped from the warehouse, the risks of damage and loss have been transferred from the Company and either the customer has accepted the products in accordance with the sales contract or objective evidence that all criteria for acceptance have been satisfied. The Company's cost of revenues from eCommerce Product Sales consists of supplier product costs, shipping costs, import and duty fees, inventory management and product return handling costs.

ii. Digital Services

a. E-commerce Platform (eCP) Hosting Services, Software Development and Maintenance,

The Company provides eCP and web portal hosting, software development and related services for its customers to facilitate and support product sales. The Company integrates its proprietary software with inventory management services and E-Commerce Product Sales to provide a holistic eCP for its customers. The Company offers through its eCP a variety of customer support services including purchaser support, product knowledge base, reputation management and return management and authorization services. These services have been accounted for as a series of distinct services representing a single performance obligation because the Company provides its customers with a significant service of integrating multiple goods or services in a contract that produce a combined output. Variable consideration included as part of the Company's eCP Hosting Services and Software Development and Maintenance has been allocated and recognized in the period that it is earned.

The Company principally generates eCP Hosting Services and Software Development and Maintenance revenues by entering into contracts to host e-commerce websites on its proprietary platform or to develop a platform for customers.

Revenue from eCP Hosting Services, Software Development and Maintenance is recognized over time on a ratable basis, usually monthly, over the contract term. The contract terms are annual or multi-year service terms. Revenue recognition begins on the date that the Company's service is made available to the customer.

Certain subscription contracts have a transaction price that includes a variable component that is based on the number of service transactions made on the platform in a given month, resetting each month. In such cases, the Company allocates the variable consideration to the period that it was earned.

The Company's cost of revenues from E-Commerce Product Sales consists of supplier product costs, shipping costs, import and duty fees, direct product marketing, inventory management and product return handling costs.

**3. Significant accounting policies (continued) – (s) Revenue recognition (continued)**

b. Sub-Licensing fees

The Company provides its suppliers with a right to access existing brand licenses held by the Company, which its suppliers apply to products sold directly to end-users and to the Company, to be sold as a part of its E-Commerce Product Sales.

The Company earns Sub-Licensing fees by providing access to existing licenses to suppliers, whose products are sold by the Company over the eCPs.

Revenue from Sub-Licensing is recognized over time, usually monthly, over the contract term. Revenue recognition begins on the date that the Company's service is made available to the customer and can include variable transaction prices that are based on the number of activities in a given month. In such cases, the Company allocates the variable consideration to the period that it was earned.

The Company's cost of revenues from Sub-Licensing consist of allocations of direct personnel costs, credit card fees and third-party infrastructure and hosting costs.

iii. Affiliate Commission fees

The Company arranges for its affiliates to complete product sales in territories in which the Company does not operate. The Company earns a commission fee on sales of products that have been redirected from the eCPs, to the affiliate websites.

The Company earns Affiliate Commission fees by redirecting purchase orders over the eCPs, originating in territories that the Company does not sell products, to affiliate websites. Revenue from Affiliate Commissions is recognized at a point in time, upon notification of the product sale by the affiliate.

The Company's cost of revenues from Affiliate Commissions consists of allocations of direct personnel costs and third-party infrastructure and hosting costs. Arrangements with customers do not provide the customers with the right to take possession of the software supporting the Company's eCP at any time and are therefore accounted for as service contracts. The Company's eCP Hosting Services, Software Development and Maintenance, Sub-Licensing and Affiliate Commission arrangements do not provide for refunds or any other rights of return to customers in the event of cancellations.

## 3. Significant accounting policies (continued) – (s) Revenue recognition (continued)

*Principal versus Agent*

The Company follows the guidance provided in IFRS 15 for determining whether the Company is acting as the principal or agent in its arrangements and whether the Company should recognize revenue based on the gross amount billed to purchasers or the net amount retained. This determination is a matter of judgment that depends on the facts and circumstances of each arrangement. The Company recognizes revenue from E-Commerce Product Sales on a gross basis as the Company is primarily responsible for the fulfilment and has control of the promised good and therefore is the principal in the arrangement with purchasers. The Company recognizes revenue from Affiliate Commissions on a net basis as the Company is not primarily responsible for the fulfilment and instead arranges for another party to fulfil the product sale and therefore is the agent in the arrangement with purchasers. All other revenue is reported on a gross basis, as the Company has determined it is the principal in the arrangement. Sales taxes collected from purchasers and remitted to government authorities are excluded from revenue.

*Multiple Performance Obligations*

The Company's arrangements can include multiple performance obligations. When contracts involve multiple performance obligations, the Company evaluates whether each performance obligation is distinct and separately identifiable, and should be accounted for as a separate unit of accounting under IFRS 15. In the case of eCP Hosting Services and Software Development and Maintenance, the Company has determined that the various services in these arrangements are a distinct series of services that are substantially the same and have the same pattern of transfer to the customer, representing one performance obligation. Similarly, Sub-Licensing arrangements provide suppliers with the right to access the Company's licenses over a specified period of time and represent one performance obligation. For Product Sales, the Company has determined that the sale of the product and the related shipping obligation are separately identifiable promises. The total transaction price is determined at the inception of the contract and allocated to each performance obligation based on their relative standalone selling prices. The Company generally determines stand-alone selling prices based on prices charged to customers or using expected cost plus margin.

*Timing of Payment*

The Company receives payment for E-Commerce Product Sales upon purchase through the eCP. For eCP Hosting Services, Software Development and Maintenance and Sub-licensing, the Company generally receives payment from its customers at the time of invoicing. For Affiliate Commissions, the Company generally receives payment when affiliate sales are completed. In instances where the timing of revenue recognition differs from the timing of invoicing and payment, the Company has determined that contracts generally do not include a significant financing component.

## 3. Significant accounting policies (continued)

*Right of Return*

Refund liabilities (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognized for products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). The estimated amount of returns are reassessed at each reporting date. The Company's obligation to repair or replace faulty products under the standard warranty terms is recognized as a provision.

### (t) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### (u) Future royalty obligations

Where the Company is committed to pay royalties on product sales of acquired brand licenses, the future royalty obligation is based on the Company's estimate of the related brands future sales or minimum guaranteed royalty payments as stipulated in the agreements.

### (v) Earnings per share

Basic earnings per share is calculated by dividing net profit for the period available to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated using the weighted-average number of ordinary shares outstanding adjusted to include the potentially dilutive effect of common equivalent shares outstanding.

### (w) Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The acquiree's identifiable assets and liabilities are generally recognized at their fair values at the date of acquisition. Acquisition-related transaction costs are expensed as incurred. The fair value of contingent consideration is considered part of the consideration transferred and included in the total purchase price on the acquisition date. Contingent consideration classified as equity is not remeasured subsequent to the acquisition date (other than for measurement period adjustments) and its subsequent settlement is accounted for within equity. Contingent consideration that is a liability, is remeasured to fair value at each reporting date until the contingency is resolved, with changes in fair value recorded in other income.

Goodwill is recognized at the acquisition date as the excess of the fair value of consideration transferred less the net recognized amount (generally fair value) of identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Goodwill is not subject to amortization and is measured at cost less accumulated impairment losses.

## 3. Significant accounting policies (continued)

The allocation of the purchase price to the net assets acquired may be adjusted to reflect new information obtained about facts and circumstances that exist at the acquisition date, up to a maximum of 12 months following the date of acquisition. Changes to the allocation of the purchase price during this measurement period are recognized retrospectively.

### (x) Impairment

Goodwill is tested annually for impairment or more frequently when there is an indication that it may be impaired. Cash-generating units are the smallest identifiable groups of assets that generate cash inflows from the continuing use that are largely independent of the cash inflows of other assets or cash-generating units. For the purposes of assessing for indications of impairment and impairment testing, assets that do not generate largely independent cash inflows are grouped into cash-generating units. The recoverable amount of a cash generating unit is the higher of its fair value less costs of disposal (FVLCD) and its value in use (VIU). In assessing VIU, the estimated future cash flows are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing FVLCD, level 1 or level 2, inputs such as market based transactions are used.

Impairment losses are recognized in profit or loss and allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of cash generating units), and then to reduce the carrying amounts of the other assets in the cash generating unit (group of cash generating units) on a pro rata basis.

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount, with the exception of impairment losses on goodwill, which are not reversed. When an impairment loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed what the carrying amount would have been had no impairment losses been recognized for the asset in prior years.

## 4. Critical accounting estimates and assumptions

The preparation of the Company's consolidated financial statements, in accordance with IFRS, requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Significant estimates, judgments and assumptions in these financial statements are discussed below. Actual results may differ from the estimates made by management.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

The following are the significant judgments, estimates and assumptions that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these consolidated financial statements:

## 4. Critical accounting estimates and assumptions (continued)

Significant judgments in applying accounting policies:

*(a) Functional currency*

Management considers the functional currency applied to each entity to be the currency that most faithfully represent the economic effect of the underlying transactions, events and conditions of that entity. This determination factors in the currency in which the entities measure their performance and report results, as well as the currency in which they receive equity injections from investors and obtain credit facilities. This determination also considers the competitive environment in which the entities operate.

*(b) Going concern*

Determining if the Corporation has the ability to continue as a going concern is dependent on its ability to raise additional financing and to achieve profitable operations. Certain judgments are made when determining if the Corporation will be able to continue as a going concern.

*(c) CGU determination*

A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Determining the impact of impairment requires significant judgement in identifying which assets or groups of assets are CGUs of the Company.

*(d) Reportable segments*

In fiscal 2019 the Company had a more decentralized accounting and reporting structure and in fiscal 2020 due to the change in the Company's enterprise resource planning system the chief operating decision maker reviews financial information at a consolidated level and uses the consolidated results to assess and allocate resources. Accordingly, management has concluded that there is only one reportable segment.

*(e) Financial instrument valuations*

The financial liabilities that the Company has entered require management to make estimates for significant inputs into the formulae and methodologies employed, as well and making judgements regarding the likelihood of future events.

## 4. Critical accounting estimates and assumptions (continued)

Key sources of estimation uncertainty

The following are the key estimates and related assumptions concerning the sources of estimation uncertainty that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities:

*(a) Deferred taxes*

Deferred tax assets and liabilities are recognized for temporary differences and for tax loss carry forwards. The valuation of deferred tax assets is based on management's estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carry forwards may be utilized. Income taxes comprise current and deferred tax. Current tax represents the expected tax payable on taxable income for the year using enacted or substantively enacted tax rates at the end of the reporting year, and any adjustments to tax payable related to prior years. Deferred tax financial reporting purposes and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized to the extent that realization is considered probable. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. Management considers projected future taxable income, uncertainties related to the industry in which the Company operates and income tax planning strategies in making this assessment.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

*(b) Estimate of useful lives of intangible assets*

Useful lives over which intangible assets are depreciated or amortized are based on management's judgment of future use and performance. Expected useful lives are reviewed annually for any change to estimates and assumptions.

*(c) Goodwill valuation*

The Company uses estimates in determining the recoverable amount of its cash-generating unit ("CGU") in performing annual impairment testing of goodwill. The determination of the recoverable amount for the purpose of impairment testing requires the use of significant estimates. For the fiscal 2020, the recoverable amount was determined using a fair value less cost of disposal ("FVLCD") methodology using a market approach. Specifically, using the share prices for the Company's equity raises in the months preceding fiscal year end to calculate the market value of the CGU less cost of disposal. The FVLCD calculation relies on arm's length transactions between unrelated , knowledgeable and willing parties that are under no compulsion to act, and therefore would qualify as Level 2 inputs. No reasonably possible change of any of the key assumptions would result in a carrying amount higher than the recoverable amount.

## 4. Critical accounting estimates and assumptions (continued)

*(d) Stock-based compensation*

The amounts recognized relating to the fair value of stock options and warrants are based on estimates of future volatility in the Company's share prices, the expected lives of options and warrants, the risk-free interest rate, and other relevant assumptions. Volatility is estimated based on the average price volatility of common shares of a comparative group of public companies over the preceding period equaling the expected lives of the Company's options.

*(e) Compound financial instruments*

Certain financial instruments are comprised of a liability and an equity component. The determination of the amount allocated to the liability and equity components requires management to estimate various components and characteristics of present value calculations used in determining the fair value of the instrument, including the market interest rates of non-convertible debentures.

*(f) Business combinations*

The purchase price on business combinations is allocated to the fair value of the assets and liabilities acquired. The determination of fair values requires management to estimate the fair value of intangibles acquired based on estimated future cash flows.

## 5. Financial risk management

Overview

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 Directors have 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.

## 5. Financial risk management (continued)

The maximum exposure to credit risk at March 31, 2020 and 2019 is as follows:

| | **2020** | 2019 |
|---|---|---|
| Cash | $521,060 | $743,566 |
| Accounts receivable | 879,114 | 791,242 |
| Total | $1,400,174 | $1,534,808 |

Cash consists of cash bank balances. The Company manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

On August 5, 2020, the company entered into a contract for the sale of future receivables for US$500,000. This contract has a fee of 11.75% and is paid back monthly at a retrieval percentage of 6.5% for August 2020, 8.5% for September 2020, and October 2020, and 15% going forward.

On October 13, 2020, the company entered into a contract for the sale of future receivables for US$500,000. This contract has a fee of 12% and is paid back monthly at a retrieval percentage of 8.5% for the first two months and subsequently 15% going forward.

The aging of receivables at March 31, 2020 and 2019 is as follows:

| | **2020** | 2019 |
|---|---|---|
| Not past due | $756,428 | $573,925 |
| 31 – 60 days | 22,593 | 85,789 |
| 61 – 90 days | 24,865 | 73,963 |
| More than 90 days | 86,565 | 68,902 |
| Allowance for expected credit loss | (11,337) | (11,337) |
| Total | $879,114 | $791,242 |

There is no concentration of credit risk with respect to accounts receivables, as the Company has a large number of customers, internationally dispersed. The Company considers accounts greater than 60 days old overdue. Accounts receivable includes $42,348 and $142,865 of accounts that are greater than 60 days old as at March 31, 2020 and 2019, respectively. The Company has recognized an expected credit loss of $11,337 on the accounts receivable at March 31, 2020 and 2019.

## 5. Financial risk management (continued)

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, the debt obligations of the business has been classified as current on the statement of financial position. The Company will require additional funding to reduce its exposure to liquidity risk.

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. The Company continuously monitors its actual and forecast cash flows to review whether there are adequate reserves to meet the maturing profiles of its liabilities. The Company closely monitors its cash and manages liquidity risk by reducing spending, improving profitability and raising funds as required. As these variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain debt financing. The following table outlines the maturities of the Company's liabilities:

| **Contractual maturities of financial liabilities** | **Due in 2021** | **Due in 2022** | **Thereafter** | **Total** |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 6,475,289 | $ - | $ - | $ 6,475,289 |
| Warrant obligations | 1,444,912 | - | - | 1,444,912 |
| Lease liabilities | 267,690 | - | - | 267,690 |
| Long-term debt | 6,057,132 | 128,960 | | 6,186,092 |
| **As at March 31, 2020** | **$ 14,245,023** | **128,960** | **-** | **$ 14,373,983** |

| **Contractual maturities of financial liabilities** | **Due in 2020** | **Due in 2021** | **Thereafter** | **Total** |
|---|---|---|---|---|
| Operating line of credit | $ 64,818 | $ - | $ - | $ 64,818 |
| Accounts payable and accrued liabilities | 3,325,641 | - | - | 3,325,641 |
| Lease liabilities | 437,656 | 249,428 | - | 678,084 |
| Long-term debt | 1,448,855 | 2,679,685 | 128,960 | 4,257,500 |
| **As at March 31, 2019** | **$ 5,276,970** | **$ 2,929,113** | **$ 128,960** | **$ 8,355,043** |

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.

## 5. Financial risk management (continued)

*Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on the operating line of credit and long-term debt that bear interest at variable rates of interest. A 1% increase in the interest rate would have a $76,310 increase on the net loss and accumulated deficit of the Company.

*Foreign exchange risk*

The Company's financial performance is closely linked to foreign exchange rates. While the Company may employ the use of various financial instruments in the future to manage these price exposures, the Company is not currently using any such instruments.

At March 31, 2020, the Company's exposure to currency risk consists of the following:

| ($) | GBP | MXN | INR | HKD |
|---|---|---|---|---|
| Cash | 70,282 | 303,669 | 10,023 | 822,739 |
| Accounts Receivable | 48,396 | - | 1,412,016 | 1,114,725 |
| Accounts Payable and accrued liabilities | 158,803 | 74,308 | 1,171,899 | 13,810,562 |

A 1% increase in the exchange rate would have a $34,482 increase on the net loss and accumulated deficit of the Company.

Capital management

The Company's capital management policy is to maintain a capital base that optimizes the Company's 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 the light of changes to economic conditions and the risk characteristics of the nature of the business. The Company considers its capital structure to include shareholders' equity/deficit and working capital deficit. In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage its current and projected capital structure.

## 6. Prepaids and deposits

| | **2020** | 2019 |
|---|---|---|
| Prepaid expenses | **$ 2,613,574** | $ 11,750 |
| Deposits | **83,466** | 35,414 |
| | **$ 2,697,040** | $ 47,164 |

## 7. Property, plant and equipment

| | **Computer Equipment** | **Tooling and Other Equipment** | **Total** |
|---|---|---|---|
| **Cost** | | | |
| Balance at March 31, 2018 | $8,696 | $1,800 | $10,496 |
| Acquired in business combination | 92,996 | - | 92,966 |
| Additions | 6,572 | - | 6,572 |
| Disposals | (28,022) | - | (28,022) |
| Balance at March 31, 2019 | $80,242 | $1,800 | $82,042 |
| Additions | 7,179 | 727,973 | 735,152 |
| **Balance at March 31, 2020** | **$87,421** | **$729,773** | **$817,194** |
| | | | |
| **Accumulated amortization** | | | |
| Balance at March 31, 2018 | 7,370 | 573 | 7,943 |
| Depreciation for year | 6,824 | 244 | 7,068 |
| Balance at March 31, 2019 | 14,194 | 817 | 15,011 |
| Depreciation for year | 17,730 | 253,045 | 270,775 |
| Balance at March 31, 2020 | **$31,924** | **$253,862** | **$285,786** |
| | | | |
| **Net book value** | | | |
| March 31, 2019 | $66,048 | $983 | $67,031 |
| **March 31, 2020** | **$55,497** | **$475,911** | **$531,408** |

## 8. Right of use asset

The right of use asset consists of an office lease acquired as part of the business combination described in note 10. The right of use asset consists of the following:

| | |
|---|---|
| Balance at March 31, 2018 | $ - |
| Acquired in business combination | 679,655 |
| Amortization | (64,491) |
| Balance at March 31, 2019 | $615,164 |
| Amortization | (387,828) |
| **Balance at March 31, 2020** | **$227,336** |

## 9. Intangible assets and goodwill

Intangible assets consist of the following:

| | Customer Relationships | Technology | Intangibles total | Goodwill | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at March 31, 2018 | $ - | $ - | $ - | $ - | $ - |
| Acquired in business combination | 1,247,952 | 1,127,777 | 2,375,729 | 9,522,177 | 11,897,906 |
| Foreign currency translation | 17,898 | 16,175 | 34,073 | 125,204 | 159,277 |
| Balance at March 31, 2019 | $1,265,850 | $1,143,952 | $2,409,802 | $9,647,381 | $12,057,183 |
| Additions | | 122,389 | 122,389 | | 122,389 |
| Foreign currency translation | 101,309 | 93,021 | 194,330 | 739,593 | 933,923 |
| Balance at March 31, 2020 | **$1,367,159** | **$1,359,362** | **$2,726,521** | **$10,386,974** | **$13,113,495** |
| **Accumulated amortization** | | | | | |
| Balance at March 31, 2018 | $ - | $ - | $ - | $ - | $ - |
| Amortization | 69,035 | 62,386 | 131,421 | - | 131,421 |
| Balance at March 31, 2019 | 69,086 | 62,433 | 131,519 | - | 131,519 |
| Amortization | 455,076 | 435,906 | 890,982 | - | 890,982 |
| Balance at March 31, 2020 | **$524,162** | **$498,339** | **$1,022,501** | **$ -** | **$1,022,501** |
| **Net book value** | | | | | |
| March 31, 2019 | $1,196,815 | $1,081,566 | $2,278,381 | $9,647,381 | $11,925,762 |
| **March 31, 2020** | **$842,997** | **$861,023** | **$1,704,020** | **$10,386,974** | **$12,090,994** |

## 10. Business combination

Cinatic Technology Limited

On January 31, 2019, the Company acquired 100% of the ordinary shares of Cinatic Technology Limited ("Cinatic"), together with its wholly-owned subsidiaries Cinatic Shenzhen, Premielink Company Limited and Freetalk Connect Ltd. The purchase price was $10,360,313 which was satisfied through the issuance of 22,987,500 common shares of the Company valued at $8,620,313, $250,000 of promissory notes payable and $1,490,000 of convertible debentures.

The transaction qualifies as a business combination and was accounted for in accordance with IFRS 3 Business Combinations using the acquisition method of accounting. The consideration consisted of:

| | |
|---|---|
| Share consideration | $ 8,620,313 |
| Promissory notes | 250,000 |
| Convertible debentures | 1,490,000 |
| | $ 10,360,313 |

The consideration has been allocated to the fair value of the assets and liabilities acquired as follows:

| | |
|---|---|
| Net working capital | $ (1,329,967) |
| Property and equipment | 92,996 |
| Right of use asset | 679,655 |
| Intangible assets | 2,375,729 |
| Goodwill | 9,522,177 |
| Short-term debt | (327,940) |
| Long-term lease liabilities | (260,342) |
| Deferred taxes | (391,995) |
| | $ 10,360,313 |

Since the acquisition date, revenues of $401,871 and net loss of $595,499 related to those entities were included in the consolidated statement of loss and comprehensive loss for the year ended March 31, 2019. If the acquisition had occurred on April 1, 2018, consolidated pro forma revenue and net loss for the Company for the year ended March 31, 2019 would have been $5,876,864 and $3,380,426, respectively.

Other

The Company completed a number of acquisitions of related parties during the year ended March 31, 2019 for nominal consideration, including EBuyNow LLC, EBuyNow eCommerce Ltd., EBuyNow eCommerce BV, EBuyNow eCommerce S. DE R.L. DE C.V., eBN eCommerce Private Limited, EBN Holdings Limited and PerimeterSafe Holdings Limited and its wholly-owned subsidiary PerimeterSafe Home Monitoring Limited.

## 10. Business combination (continued)

The acquisitions of PerimeterSafe and EBuyNow eCommerce S. DE R.L. DE C.V. were considered common control acquisitions due to common ownership and therefore, these transactions are outside the scope of IFRS 3.

Business Combinations

At the acquisition date, the entities had no assets and net current liabilities of $369,602, which was recorded as a decrease to retained earnings.

The remaining acquisitions had no assets and net current liabilities of $38,577, which was recorded in general and administrative expenses in the consolidated statement of operations.

## 11. Operating line of credit

The Company's subsidiary has a credit facility for US$500,000 bearing interest at prime plus 1% per annum. The loan is guaranteed by two directors of the Company. The amount drawn on the facility at March 31, 2020 and 2019 was $nil and $64,818, respectively. The credit facility was terminated during the fiscal 2020 year.

## 12. Accounts payable and accrued liabilities

| | | 2020 | | 2019 |
|---|---|---|---|---|
| Accounts payable | $ | 5,306,119 | $ | 2,385,384 |
| Interest payable | | 132,580 | | 18,281 |
| Payroll and related liabilities | | 218,253 | | 22,735 |
| Accrued liabilities | | 683,167 | | 246,553 |
| Government taxes payable | | 135,170 | | - |
| | $ | 6,475,289 | $ | 2,672,953 |

Accounts payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of accounts and other payables are considered to be the same as their fair values, due to their short-term nature.

## 13. Due to/(from) related parties

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

| | 2020 | 2019 |
|---|---|---|
| Due to current/former shareholders and officers | $365,705 | $401,167 |
| Due from Karma Ventures Limited | (66,970) | (66,971) |
| | $298,735 | $334,196 |

Karma Ventures Limited is related by common ownership. In 2018, the Company advanced funds to assist in business operations. The loan is non-interest bearing, unsecured and has no fixed terms of repayment. Subsequent to year end, the full receivable balance was forgiven.

Subsequent to the year end, the Company received loans from a group of founding shareholders for total proceeds of $874,785. The loans mature on August 31, 2022, bear an interest rate of 4.5% per annum and have a conversion option at the discretion of the lenders to convert the loan into the Company's equity share capital. As part of this transaction, the Company was released from its obligation for a loan from a director of the Company for $273,000.

## 14. Lease liability

Lease liability is included within the current portion of long-term debt on the balance sheet and consists of the following:

| | 2020 | 2019 |
|---|---|---|
| Opening balance | $687,084 | $ - |
| Acquired in business combination | - | 690,382 |
| Payments | (419,394) | (3,298) |
| | 267,690 | 687,084 |
| Less: Current portion | (267,690) | (437,656) |
| | **$ -** | **$249,428** |

## 15. Debt and warrant obligations

The debt obligations as at March 31, 2020 and 2019 was comprised of the following:

| | | 2020 | | 2019 |
|---|---|---|---|---|
| **Convertible debenture notes** | | | | |
| **Opening balance** | **$** | **2,757,022** | **$** | **-** |
| Convertible debt liability | | 533,483 | | 2,667,025 |
| Accretion expense | | 426,437 | | 89,997 |
| Converted to common shares | | (268,613) | | - |
| **Closing balance, March 31** | **$** | **3,448,329** | **$** | **2,757,022** |
| **Senior secured debentures** | | | | |
| **Opening balance** | **$** | **-** | **$** | **-** |
| Fair value of liability | | 1,663,114 | | - |
| Accretion expense | | 181,263 | | - |
| **Closing balance, March 31** | **$** | **1,844,377** | **$** | **-** |
| **Other long-term debt and promissory notes** | | | | |
| **Opening balance** | $ | 1,500,478 | | 250,000 |
| Promissory notes and other loans | | 83,353 | | 1,271,678 |
| Repaid during the year | | (690,445) | | (21,200) |
| **Closing balance, March 31** | **$** | **893,386** | **$** | **1,500,478** |
| **Total long-term debt, March 31** | **$** | **6,186,092** | **$** | **4,257,500** |
| ***Current portion of long-term debt*** | ***$*** | ***6,057,132*** | ***$*** | ***1,448,855*** |
| ***Long-term debt*** | ***$*** | ***128,960*** | ***$*** | ***2,808,645*** |

| | | 2020 | | 2019 |
|---|---|---|---|---|
| **Warrants obligation** | | | | |
| **Opening balance** | **$** | **-** | **$** | **-** |
| Fair value of liability warrants | | 1,444,912 | | - |
| **Closing balance, March 31** | **$** | **1,444,912** | **$** | **-** |

At March 31, 2020, certain debt amounts are classified as current debt obligations because the Company has failed to comply with its debt covenants by not making timely interest payments and as a result the lenders have the right to demand repayment with minimal or no notice.

## 15. Debt and warrant obligations (continued)

### Convertible debt

In accordance with IAS 32, the Company has determined the fair value of the liability by discounting the expected future cash flows of the liability component at a market rate of interest of 20.96% (2019 - 21.24%) for convertible debt. The fair value of the liability component was $533,483 (2019 - 2,667,025) and the remaining $39,565 (2019 - $717,975) was recognized as the equity component of the convertible debt at inception. An accretion expense of $426,437 (2019 - $89,997) was recorded during the year ended March 31, 2020.

Convertible debentures issued in fiscal 2019

On November 15, 2018, the Company issued $1,895,000 of convertible debentures ("notes"). The notes bear interest at 8.5% per annum, have a maturity date of two years after issuance and are unsecured. The notes are convertible into common shares of the Company at a conversion price of $0.375 per share. In addition, the notes included 879,997 warrants that allow the holder to acquire 879,997 additional shares at $0.375 per share if the Company does not complete a go public transaction prior to maturity of the notes.

On January 31, 2019, the Company issued $1,490,000 of convertible notes in connection with the Cinatic acquisition. The notes are non-interest bearing, have a maturity date one to two years after issuance and are unsecured. The notes are convertible into common shares of the Company at a conversion price of $0.50 per share. In addition, the notes included 794,000 warrants that allow the holder to acquire 794,000 additional shares at $0.50 per share if the Company does not complete a go public transaction prior to maturity of the note.

On January 1, 2020, 464,000 warrants were issued, because the Company was not able to complete a go public transaction prior to January 31, 2020. These warrants expired on January 1, 2021.

Convertible debentures issued in fiscal 2020

On April 1, 2019, the Company issued $318,613 of convertible notes. The notes bear interest at 8.5% per annum, have a maturity date of two years after issuance and are unsecured. The notes are convertible into common shares of the Company at a conversion price of $0.375 per share. In addition, the notes included 212,408 warrants that allow the holder to acquire 212,408 additional common shares at $0.375 per share if the Company does not complete a go public transaction prior to maturity of the notes.

As disclosed in the table above $268,613 of the notes were converted into common shares at a conversion price of $0.375 on October 9, 2019 for 716,300 common shares of the Company.

On April 2, 2019, the Company issued $100,000 of convertible notes. The notes bears nil interest, have a maturity date on January 31, 2021 and are unsecured. The notes are convertible into common shares of the Company at a conversion price of $0.5 per share. In addition, the notes include 25,000 warrants that allows the holder to acquire 25,000 additional common shares of the Company at $0.5 per share if the Company does not complete a go public transaction prior to January 31, 2020. As a result, 25,000 warrants were issued on January 1, 2020.

## 15. Debt and warrant obligations (continued)

On February 27, 2020, the Company issued a $245,890 of convertible note. The note bears interest at 3.333% per month, has a maturity date on May 28, 2020 and is unsecured. The note is convertible into common shares of the Company at a conversion price of $0.75 per share.

Subsequent events

On April 27, 2020, the holders of the $930,000 of January 2019 convertible notes exchanged their notes for a total of 1,860,000 common shares of the Company.

On May 8, 2020, the Company received conversion notices for a total of $93,750 convertible notes. The notes were converted to common shares at $0.375 per share for 250,000 shares.

On June 22, 2020, the Company issued a Convertible note for $1,881,249 (US$1,388,888). The note bears an interest rate of 12%, the note and any accrued interest are convertible at the lesser of $0.75 per share or 75% of the liquidity event share value if the liquidity event price is less than $1. This note matures June 22, 2021.

On July 13, 2020, the Company received conversion notices for a total of $66,842 convertible notes plus accrued interest. The notes were converted to common shares of the Company at $0.375 per share for 178,246 shares.

On August 8, 2020, the Company received conversion notices for a total of $116,900 convertible notes plus accrued interest. The notes were converted to common shares of the Company at $0.375 per share for 311,734 shares.

Between September 19 and November 24, 2020, the Company received conversion notices for a total of $370,000 convertible notes plus accrued interest. The notes were converted to common shares of the Company at $0.375 per share for 1,023,615 shares. In connection with this conversion, the Company issued a total of 230,000 additional warrants exercisable at $0.375 per share at any time up to November 15, 2021.

As the result of delays in the public listing of the Company shares, subsequent to the year end the Company issued warrants to certain convertible debenture holders to purchase 716,665 shares at a price of $0.375 for a period of two years from issuance.

**Senior secured debentures**

Between November 8, 2019, and November 20, 2019, the Company issued $3,063,114 of senior secured debentures ("2020 Notes"). The 2020 Notes bear interest at 12.0% per annum, have a maturity date of two years after issuance and are secured by a general security agreement against the Company assets. In addition, the 2020 Notes gave the holder the right to warrants that allow the holders to acquire a minimum of 3,393,607 additional shares at a price determined by a liquidity event for the common shares of the Company. The value of the warrants initially recognized has been separately accounted for from the debt obligation and the resulting discount is being amortized through profit and loss using the effective interest rate of 31.4% as a component of interest and accretion expense.

## 15. Debt and warrant obligations (continued)

Subsequent events

On August 26, 2020, the Company entered into a Shares for Debt Agreement where the Company issued 502,005 common shares at a deemed price of $0.375 per conversion shares in full payment for unpaid interest in relation to the Senior Secured Debenture issued November 8 to November 20, 2019. As part of this agreement there was a total of 2,460,000 warrants exercised under the debenture loan agreement for total proceeds of $615,000. Also as part of the agreement the remaining 3,832,770 warrants under the loan agreement were issued at a price of $0.375 for an exercise period of 44 months from the issuance date.

On August 27, 2020, the Company entered into a Shares for Debt Agreement where the company issued 37,778 common shares at a deemed price of $0.375 per conversion shares in full payment for unpaid interest in relation to a promissory note issued February 8, 2019.

On January 7, 2021, the Company entered into a Shares for Debt Agreement where the Company issued 159,812 common shares at a deemed price of $0.375 per conversion share in full payment for unpaid interest in relation to the senior secured debenture issued November 8, 2019.

**Other long-term debt and promissory notes**

Other long-term debt and promissory notes consist of a variety of unsecured notes with terms of between 90 days and five years, and bear interest rates ranging from nil to 7.5%.

Subsequent events

Subsequent to the year end, on August 31, 2020, the Company entered into a Secured Subordinated Note for $320,254. The note bears an interest of 12% and has a 10 month term.

Between August 31, 2020 and November 23, 2020, the Company entered into a series of Founders loans for a total of $874,785. The loans bear an interest rate of 4.5% on an accrual basis and have a conversion option at $0.75 per share. The loans mature between August 31, 2022 and October 26, 2022.

On September 25, 2020, the Company repaid the term loan outstanding in the amount of HK$1,340,000 ($231,552 CAD) plus accrued interest of HK$113,000 ($19,526 CAD) plus a penalty interest payment of HK$128,240 ($22,160 CAD). The loan bears interest at 10% per annum and matures on May 28, 2020.

On October 8, 2020, the Company entered into a Demand Promissory Note for $25,000 with CE Brands Inc. This note bears no interest, is due on demand.

On December 30, 2020, the Company entered into a series of Founders loans for a total of $300,000. The loans bear interest at 4.5% on an accrual basis and have a conversion option at $0.75 per share. The loan matures December 30, 2022.

## 15. Debt and warrant obligations (continued)

### Warrant obligations

At inception, the fair value of the liability warrants is determined utilizing Monte Carlo and/or Black-Scholes valuation models. At each reporting period, any changes in the fair value are recognized in the consolidated statement of loss and comprehensive loss. The fair value of warrants attached to the senior secured debentures was determined utilizing a Monte Carlo valuation with 100,000 possible stock price vectors.

The fair value measurement of the warrant obligations is categorized within Level 3 of the fair value hierarchy as one or more of the significant inputs is not based on observable market data including timing and probability of liquidity event (the Company completing a go public transaction) and possible share price at that time.

The key assumptions underlying the valuation were as follows:

| | |
|---|---|
| Risk-free rate | 1.70% |
| Weighted-average life | 3 years |
| At Inception Annualized Volatility | 63% |
| At Year-end Annualized Volatility | 72% |
| Weighted-average fair value | $0.23 |
| Expected Life | 3 years |

## 16. Revenue

| | 2020 | 2019 |
|---|---|---|
| Product sales | $7,168,017 | $2,199,676 |
| Digital services revenue | 105,863 | 403,661 |
| Contract revenue | 25,197 | 22,424 |
| | $7,299,077 | $2,625,761 |

## 16. Revenue (continued)

The Company's revenues from the transfer of goods and services recognized over time and at a point in time are derived from the following geographical regions by location of the end consumer consists of:

| | 2020 | 2019 |
|---|---|---|
| Canada | **$2,240,788** | **$1,615,739** |
| United Kingdom | **1,443,762** | **296,630** |
| United States | **1,368,740** | **316,147** |
| China | **470,989** | **353,532** |
| Russia | **435,813** | **-** |
| Germany | **286,784** | **-** |
| Australia | **251,450** | **-** |
| Singapore | **215,948** | **-** |
| Other countries | **584,803** | **43,713** |
| | **$7,299,077** | **$2,625,761** |

## 17. Officers and directors compensation

Key management personnel include directors, officers, and senior members of management of the Company. In addition to their salaries, directors and officers participate in the Company's share option program. Key management personnel compensation comprised of the following:

| | 2020 | 2019 |
|---|---|---|
| Wages and salaries | $630,415 | $240,000 |
| Share-based compensation expense | 361,395 | 34,926 |
| | **$991,810** | **$274,926** |

## 18. Finance costs

| | 2020 | 2019 |
|---|---|---|
| Interest | $488,149 | $178,630 |
| Accretion expense | 683,661 | 23,717 |
| Fair value loss on warrants obligation | 23,792 | - |
| | $1,195,602 | $202,347 |

## 19. Share capital and loss per share

Share and Unit Issuance

On January 31, 2019, the Company issued 22,987,500 common shares valued at $8,620,313 in connection with the acquisition of Cinatic (see note 10). During fiscal 2019 the Company issued 6,087,500 common shares for total proceeds of $60,876.

On April 3, 2019, the Company issued a total of 6,666,700 units for $2,500,012. Each unit was comprised of one common share and one warrant. Each warrants may be exercised for one additional common share at a price of $0.375 per common share during the period of 30 months from the date of the issuance. Warrants are valued at $922,851 at the date of the issuance.

On December 20, 2019, the Company issued a total of 4,350,000 units for $3,262,500. Each unit was comprised of one common share and one warrant. Each warrant may be exercised for one additional common share at a price of $0.75 per common share during the period of 30 months from the date of issuance. Warrants are valued at $1,167,414 at the date of the issuance.

During the year, the Company issued 2,674,277 common shares for total proceeds of $1,500,509.

Transaction fees

During the year, the Company paid $24,254 cash commission and issued 570,000 broker warrants with a value of $81,205 as part of the share and unit issuance.

Convertible debenture conversion during the year

As disclosed in Note 15, $268,613 of the convertible debenture notes were converted into common shares at a conversion price of $0.375 on October 9, 2019 for 716,300 common shares of the Company.

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value.

The holders of Common Shares are entitled to dividends, if, as and when declared by the board of directors, to one vote per share at meetings of the shareholders of the Company and, upon dissolution, to share equally in such assets of the Company as are distributable to the holders of Common Shares.

The key assumptions underlying the valuation were as follows:

| | |
|---|---|
| Risk-free rate | 1.33% - 1.68% |
| Weighted-average life | 24 – 30 months |
| Annualized volatility | 55.32% - 63.51% |
| Share price at the date of issuance | $0.375 - $0.75 |
| Dividend yield | 0% |
| Exercise price | $0.375 - $0.75 |

## 19. Share capital and loss per share (continued)

| | Number of | | | | |
|---|---|---|---|---|---|
| | Warrants | Broker warrants | Total | | Amount |
| Balance, as at April 1, 2019 | - | - | - | | - |
| Warrants issued on subscription of units | 11,016,700 | | 11,016,700 | $ | 2,090,265 |
| Warrants issued to brokers | | 570,000 | 570,000 | | 81,205 |
| **Balance, as at March 31, 2020** | 11,016,700 | 570,000 | 11,586,700 | $ | 2,171,470 |

Loss per share

The weighted average number of common shares used to calculate basic and diluted loss per share is 72,764,800 for the year ended March 31, 2020 (2019 – 42,752,808; 2018 – 33,912,500). The Company excluded convertible debt and stock options from the calculation of diluted loss per share as they would be anti-dilutive.

Subsequent events

On April 1, 2020, the Company issued 179,075 bonus warrants at a price of $0.375 and exercise period of 1 year from the issuance date as a result of delays in the public listing of the Company's shares.

Subsequent to year end, between June 19 and September 16, 2020, the Company issued a total of 307,434 common shares and 307,434 warrants via equity issuances at $0.75. Each warrant is exercisable at $0.75 per common share for a period of 24 months from issuance. There were a total of 1,500 broker warrants issued as a result and exercisable at the same terms.

## 20. Stock-based compensation

The Company has an option program that entitles officers, directors, employees and certain consultants to purchase shares in the Company. Options granted are exercisable at the market price of the shares at the date of grant, have a term of up to five years and vest over one to five years in accordance with the terms of the individual grants.

**20. Stock-based compensation (continued)**

The number and weighted average exercise prices of share options are as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding - beginning of year | 900,000 | $ 0.01 | - | $ - |
| Granted during the year | 6,104,994 | $ 0.42 | 900,000 | $ 0.01 |
| Outstanding - end of year | 7,004,994 | $ 0.36 | 900,000 | $ 0.01 |
| Exercisable at end of year | 200,000 | $ 0.01 | - | $ - |

The fair value of the options issued to directors, officers, employees and consultants was estimated using the Black-Scholes option pricing model with the following weighted average inputs:

| | **2020** | 2019 |
|---|---|---|
| Expected life of options | **3-5 years** | 6-7 years |
| Expected volatility | **63%** | 74% |
| Forfeiture rate | **-** | - |
| Risk-free rate of return | **1.58%** | 2.30% |

| **Exercise price** | **Number of options outstanding** | **Number of options exercisable** | **Issue date** | **Expiration date** |
|---|---|---|---|---|
| $ 0.010 | 200,000 | 200,000 | November 1, 2018 | November 1, 2021 |
| $ 0.375 | 1,921,666 | - | April 1, 2019 | April 1, 2022 |
| $ 0.500 | 333,332 | - | April 1, 2019 | April 1, 2022 |
| $ 0.750 | 100,000 | - | November 1, 2019 | November 1, 2022 |
| $ 0.010 | 200,000 | - | November 1, 2018 | November 1, 2022 |
| $ 0.375 | 1,441,666 | - | April 1, 2019 | April 1, 2023 |
| $ 0.500 | 333,332 | - | April 1, 2019 | April 1, 2023 |
| $ 0.750 | 100,000 | - | November 1, 2019 | November 1, 2023 |
| $ 0.010 | 200,000 | - | November 1, 2018 | November 1, 2023 |
| $ 0.375 | 1,441,666 | - | April 1, 2019 | April 1, 2024 |
| $ 0.500 | 333,332 | - | April 1, 2019 | April 1, 2024 |
| $ 0.750 | 100,000 | - | November 1, 2019 | November 1, 2024 |
| $ 0.010 | 200,000 | - | November 1, 2018 | November 1, 2024 |
| $ 0.010 | 100,000 | - | November 1, 2018 | November 1, 2025 |
| | 7,004,994 | 200,000 | | |

## 20. Stock-based compensation (continued)

The weighted average remaining lives of the Company's outstanding options as at March 31, 2020 and 2019 is 4.0 years and 3.7 years respectively.

## 21. Income Tax

The net deferred tax asset is comprised of the following differences:

| | 2020 | 2019 |
|---|---|---|
| Non-capital losses | **$2,517,457** | $1,156,694 |
| net book value in excess of tax base | **(304,257)** | (363,225) |
| Unrecognized deferred tax assets | **(2,213,200)** | (793,469) |
| Deferred tax asset | **$ -** | **$ -** |

As at March 31, 2020, the Corporation has Canadian and non-Canadian non-capital loss carry forwards of $16,737,387 (2019 - $6,179,545). The non-capital loss carry forwards expire at various dates from 2021 to 2039. The Corporation also has tax deductible balances of $1,843,983 (2019 - $2,492,644), relating to net book value of assets in excess of their tax base.

The income tax provision differs from the amount that would be computed by applying the statutory income tax rates to loss before income taxes.

The reconciliation of the differences is as follows:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| **Loss before income taxes** | **(10,458,337)** | (3,492,296) |
| **Statutory income tax rate in Canada** | **27%** | 27% |
| Expected income tax recovery at statutory rate | **(2,823,751)** | (942,920) |
| Effect of different overseas tax rates of subsidiaries | **306,295** | 284,033 |
| Permanent differences | **343,523** | 12,247 |
| Change in unrecognized deferred tax assets | **-** | (23,801) |
| Unrecognized tax losses in the year | **2,173,934** | 277,283 |
| Effect of change in tax rates | **-** | 1,560 |
| Other | **-** | (397) |
| **Income tax recovery** | **-** | (391,995) |

The 2020 and 2019 effective tax rate is comprised primarily of the Canadian corporate tax rate of 27%, the United States of America corporate tax rate of 21% and the Hong Kong tax rate of 16.5%.

## 22. Supplemental cash flow information

Non-cash working capital

Net changes in non-cash working capital consists of the following:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Accounts receivable | **(87,872)** | 981,400 |
| Taxes receivable | - | 82,764 |
| Inventory | **(705,094)** | (1,203,508) |
| Prepaid expenses and deposits | **(2,649,876)** | 17,789 |
| Accounts payable and accrued liabilities | **3,149,648** | 1,167,499 |
| **Change in non-cash working capital** | **(293,193)** | 1,045,944 |

Income tax paid

During the year ended March 31, 2020, the Company did not pay any cash income tax (year ended March 31, 2019 - $nil).

Changes in liabilities from financing activities

| | Lease liabilities | Long-term debt | Operating line of credit |
|---|---|---|---|
| **Balance, March 31, 2018** | **$ -** | **$ 250,000** | **$ 499,500** |
| **Cash changes:** | | | |
| Repayment of operating line of credit | - | - | (512,350) |
| Repayment of long-term debt | - | (21,200) | - |
| Proceeds from long-term debt | - | 2,321,698 | - |
| Payment of lease liabilities (including interest) | (3,298) | - | - |
| Foreign exchange translation | - | 10,970 | - |
| **Total changes from financing cash flows** | **$ (3,298)** | **$ 2,561,468** | **$ (12,850)** |
| **Non-cash changes:** | | | |
| Accretion | - | 89,997 | - |
| Acquired in business combination | 690,382 | 944,357 | 77,668 |
| Working capital loan | - | 661,678 | - |
| Foreign exchange translation | - | - | - |
| **Balance, March 31, 2019** | **$ 687,084** | **$ 4,257,500** | **$ 64,818** |

## 22. Supplemental cash flow information (continued)

| | Lease liabilities | Long-term debt | Operating line of credit |
|---|---|---|---|
| **Balance, March 31, 2019** | **$ 687,084** | **$ 4,257,500** | **$ 64,818** |
| **Cash changes:** | | | |
| Repayment of operating line of credit | - | - | (64,818) |
| Repayment of long-term debt | - | (690,403) | - |
| Proceeds of long-term debt | - | 3,702,696 | - |
| Payment of lease liabilities (including interest) | (493,847) | - | - |
| **Total changes from financing cash flows** | **$ (493,847)** | **$ 3,012,293** | **$ (64,818)** |
| **Non-cash changes:** | | | |
| Interest | 54,839 | - | - |
| Accretion | - | 607,700 | - |
| Convertible debenture converted to common shares | - | (268,613) | - |
| Fair value (gain)/loss on warrants obligation | - | 23,792 | - |
| Foreign exchange translation | 19,614 | (1,668) | - |
| **Balance, March 31, 2020** | **$ 267,690** | **$ 7,631,004** | **$ 64,818** |

## 23. Commitments

The company has minimum royalty guarantees on Kodak and Motorola licensing.

| | Less than 1 year | 1-3 years | 3-5 years | Total |
|---|---|---|---|---|
| Royalty payments | $ 1,207,771 | $4,047,582 | $4,357,019 | $9,612,372 |

## 24. Proposed transactions

On June 17, 2019, the Company entered into a non-binding letter of intent with CE Brands Inc. ("CE Brands"), whereby a wholly-owned subsidiary of CE Brands and the Company will amalgamate under the laws of British Columbia and continue as one corporation (the "Amalgamation"). Pursuant to the terms of the Amalgamation, CE Brands will acquire all issued and outstanding Common Shares of the Company.

On January 28, 2021, CE Brands and the Company entered into an Amended and Restated Amalgamation Agreement (the "Amalgamation Agreement") in connection with the Amalgamation. Pursuant to the Amalgamation Agreement:

a) The common shares of CE Brands will be consolidated on a 20.75-for-one basis; and
b) The Common Shares will be consolidated on a five-for-one basis;
c) The wholly-owned subsidiary of CE Brands and the Company will consummate the Amalgamation;
d) Pursuant to the Amalgamation, the holders of the Common Shares will exchange those Common Shares for post-consolidation common shares of CE Brands on a one-for-one basis.

## 24. Proposed transactions (continued)

Although the Amalgamation will result in the Company becoming a wholly-owned subsidiary of CE Brands (the "Resulting Issuer"), it will constitute a reverse takeover ("RTO") for accounting purposes as the former shareholders of the Company will own a substantial majority of the common shares of the Resulting Issuer and all members of the board of directors and management of the Resulting Issuer will be designees of the Company. Upon completion of the Amalgamation, the business of the Resulting Issuer will be the business of the Company. Completion of the Amalgamation is subject to various conditions, including, but not limited to, receipt of approval of the TSX Venture Exchange.

In addition, CE Brands announced that it has entered into an agreement for an offering to be completed prior to the Amalgamation, whereby CE Brands will conduct a public offering of unit subscription receipts (the "Subscription Receipts") via a prospectus. CE Brands intends to sell a maximum of 3,614,457 Subscription Receipts for gross proceeds of $15,000,000. CE Brands has granted the agents an option to offer up to an additional 542,169 Subscription Receipts, solely to cover over-allotments, if any. Each Subscription Receipt entitles the holder of the Subscription Receipt to receive, without payment of additional consideration and without any further action, one unit of the Resulting Issuer (a "Unit") upon the satisfaction of the conditions to the closing of the Amalgamation. Each Unit consists of one common share of the Resulting Issuer (a "Resulting Issuer Share") and one-half of one common share purchase warrant of the Resulting Issuer (a "Resulting Issuer Warrant"). Each such Resulting Issuer Warrant entitles the holder to purchase one additional Resulting Issuer Share, for a purchase of price of $7.50 per Resulting Issuer Share, for a period of 24 months following the date on which the Resulting Issuer Warrant was issued.

## 25. Prior year comparatives

Certain prior year comparatives have been reclassified to conform with current year presentation.

Consolidated Financial Statements of

# eBuyNow eCommerce Ltd.

As at and for the years ended March 31, 2019, 2018 and 2017

*(expressed in Canadian dollars)*

RSM

RSM Alberta LLP

777 8th Ave SW
Suite 1400
Calgary, AB T2P 3R5

O +1 403 298 1500
F +1 403 298 5814

www.rsmcanada.com

# Independent Auditor's Report

To the Shareholders of eBuyNow eCommerce Ltd.

**Qualified Opinion**

We have audited the consolidated financial statements of eBuyNow eCommerce Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at March 31, 2019, 2018 and 2017 and April 1, 2016 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity (deficiency) and consolidated statements of cash flows for the years ended March 31, 2019, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the eBuyNow eCommerce Ltd. and its subsidiaries as at March 31, 2019, 2018 and 2017, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Basis for Qualified Opinion**

The Group has recognized inventory of $nil and $18,909 in the Group's statement of financial position at April 1, 2016 and March 31, 2017 respectively. We were not able to determine if inventory existed at those dates. As a result, we were unable to determine whether any adjustments were necessary for inventory as at April 1, 2016 and March 31, 2017 and cost of products sold for the years ended March 31, 2017 and March 31, 2018, and the net income and changes in non-cash working capital included in the consolidated statements of changes in shareholders' equity (deficiency) and consolidated statements of cash flows for the years then ended.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Material Uncertainty on Going Concern**

We draw attention to note 2(b) to the consolidated financial statements which indicates that the Group had a net loss of $3,104,301 for the year ended March 31, 2019 and had an accumulated deficit of $3,828,239 at March 31, 2019. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's consolidated financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSM Alberta LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Calgary, Canada
June 12, 2020

## eBuyNow eCommerce Ltd
## Consolidated Statements of Financial Position
## March 31, 2019, 2018, 2017 and April 1, 2016

| | Note | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current Assets | | | | | |
| Cash | | $ **743,566** | $ 25,381 | $ 9,657 | $ 127,325 |
| Accounts receivable | | **791,242** | 197,921 | 217,959 | 165,458 |
| Taxes receivable | | **-** | 82,764 | 80,000 | 659,353 |
| Due from related parties | 8 | **-** | 442,959 | 102,014 | 13,193 |
| Inventory | | **1,263,193** | 41,290 | 18,909 | - |
| Prepaid expenses and deposits | | **47,164** | - | - | - |
| | | **2,845,165** | 790,315 | 428,539 | 965,329 |
| Property, plant and equipment | 9 | **67,031** | 2,553 | 4,479 | 2,323 |
| Right of use asset | 10 | **615,164** | - | - | - |
| Intangible assets | 11 | **2,278,381** | - | - | - |
| Goodwill | 7,11 | **9,647,381** | - | - | - |
| **Total assets** | | $ **15,453,122** | $ 792,868 | $ 433,018 | $ 967,652 |
| **Liabilities** | | | | | |
| Current liabilities | | | | | |
| Operating line of credit | 12 | $ **64,818** | $ 499,500 | $ - | $ - |
| Accounts payable and accrued liabilities | | **3,325,641** | 397,504 | 221,071 | 622,696 |
| Due to related parties | 8 | **334,196** | - | - | - |
| Convertible debt (current) | | **708,096** | - | - | - |
| Promissory notes - current | 13 | **360,000** | - | - | - |
| Long-term debt - current | 14 | **380,759** | 21,200 | - | - |
| Lease liability - current | 15 | **437,656** | - | - | - |
| | | **5,611,166** | 918,204 | 221,071 | 622,696 |
| Long-term debt | 14 | **509,719** | 228,800 | - | - |
| Lease liability | 15 | **249,428** | - | - | - |
| Convertible debt | 16 | **2,048,926** | - | - | - |
| Promissory notes | 13 | **250,000** | - | - | - |
| **Total liabilities** | | **8,669,239** | 1,147,004 | 221,071 | 622,696 |
| **Shareholders' Equity (Deficiency)** | | | | | |
| Share capital | 19 | **8,681,389** | 200 | 200 | 200 |
| Share issuance deposits | 19 | **1,015,013** | - | - | - |
| Equity component of convertible debt | 16 | **717,975** | - | - | - |
| Contributed surplus | 21 | **66,280** | - | - | - |
| Foreign currency translation reserve | | **131,465** | - | - | - |
| Retained earnings (deficit) | | **(3,828,239)** | (354,336) | 211,747 | 344,756 |
| Total shareholder's equity (deficiency) | | **6,783,883** | (354,136) | 211,947 | 344,956 |
| **Total Liabilities and Shareholders' Equity** | | $ **15,453,122** | $ 792,868 | $ 433,018 | $ 967,652 |

Going concern (note 2(b))
Contingencies (note 25)
Subsequent events (notes 12 and 26)

See accompanying notes to the consolidated financial statements.

These consolidated financial statements were approved by the Directors of the Company.

**eBuyNow eCommerce Ltd**
**Consolidated Statements of Financial Position**
**March 31, 2019, 2018, 2017 and April 1, 2016**

| | Note | | 2019 | | 2018 | | 2017 |
|---|---|---|---|---|---|---|---|
| Product sales | 17 | **$** | **2,199,676** | $ | 262,523 | $ | 494,801 |
| Digital services revenue | | | **403,661** | | 958,327 | | 1,323,636 |
| Affiliate revenue | 17 | | **22,424** | | 57,230 | | 26,365 |
| Total revenue | | | **2,625,761** | | 1,278,080 | | 1,844,802 |
| Cost of products | | | **1,954,230** | | 387,748 | | 511,133 |
| **Gross Profit** | | | **671,531** | | 890,332 | | 1,333,669 |
| **Expenses** | | | | | | | |
| Wages and consulting | 18 | | **1,442,977** | | 1,011,628 | | 967,731 |
| Professional fees | | | **957,951** | | 60,517 | | 38,374 |
| General and administrative | | | **619,744** | | 164,456 | | 151,959 |
| Marketing and promotion | | | **584,315** | | 103,095 | | 99,965 |
| Amortization | 9,10,11 | | **202,980** | | 1,926 | | 2,054 |
| Stock-based compensation | 21 | | **66,280** | | - | | |
| Bank and credit card charges | | | **79,258** | | 55,999 | | 32,878 |
| Bad debt | | | **11,337** | | 53,757 | | 172,492 |
| **Total Expenses** | | | **3,964,842** | | 1,451,378 | | 1,465,453 |
| **Net loss before other items** | | | **(3,293,311)** | | (561,046) | | (131,784) |
| Gain (loss) on foreign exchange | | | **19,955** | | (36,856) | | 25,060 |
| Interest income | | | **-** | | - | | 4,705 |
| Loss on disposal of assets | | | **(23,324)** | | - | | - |
| Interest and accretion | | | **(199,616)** | | - | | - |
| **Net loss before income tax** | | | **(3,496,296)** | | (597,902) | | (102,019) |
| Income tax expense (recovery) | | | **(391,995)** | | (31,819) | | - |
| **Net loss** | | | **(3,104,301)** | | (566,083) | | (102,019) |
| **Other comprehensive loss for the year** | | | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | | | |
| Gain on translation of foreign operations | | | **131,465** | | - | | - |
| **Comprehensive loss** | | **$** | **(2,972,836)** | $ | (566,083) | $ | (102,019) |
| **Loss per share** | 20 | **$** | **(0.08)** | $ | (0.02) | $ | (0.00) |

See accompanying notes to the consolidated financial statements.

(signed) *Craig Smith* , Director (signed) *WK Wong* , Director

**eBuyNow eCommerce Ltd.**
**Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**
**For the years ended March 31, 2019, 2018 and 2017**

| | Share capital | Share Issuance Deposits | Equity Component of Convertible Debenture | Contributed Surplus | Retained Earnings (Deficiency) | Foreign Currency Translation Reserve | Total |
|---|---|---|---|---|---|---|---|
| **Balance at April 1, 2016** | **$ 200** | **$ -** | **$ -** | **$ -** | **$ 344,756** | **$ -** | **$ 344,956** |
| Dividends paid | - | - | - | - | (30,990) | - | (30,990) |
| Net loss and comprehensive loss | - | - | - | - | (102,019) | - | (102,019) |
| **Balance at March 31, 2017** | **200** | **-** | **-** | **-** | **211,747** | **-** | **211,947** |
| Net loss and comprehensive loss | - | - | - | - | (566,083) | - | (566,083) |
| **Balance at March 31, 2018** | **200** | **-** | **-** | **-** | **(354,336)** | **-** | **(354,136)** |
| Shares issued for cash | 60,876 | - | - | - | - | - | 60,876 |
| Deposits received for share issuances | - | 1,015,013 | - | - | - | - | 1,015,013 |
| Shares issued on acquisition | 8,620,313 | - | - | - | - | - | 8,620,313 |
| Issuance of convertible debentures | - | - | 717,975 | - | - | - | 717,975 |
| Stock-based compensation | - | - | - | 66,280 | - | - | 66,280 |
| Common control transactions (note 7) | - | - | - | - | (369,602) | - | (369,602) |
| Net loss and comprehensive loss | - | - | - | - | (3,104,301) | 131,465 | (2,972,836) |
| **Balance at March 31, 2019** | **$ 8,681,389** | **$ 1,015,013** | **$ 717,975** | **$ 66,280** | **$ (3,828,239)** | **$ 131,465** | **$ 6,783,883** |

See accompanying notes to the consolidated financial statements.

**eBuyNow eCommerce Ltd.**
**Consolidated Statements of Cash Flows**
**For the years ended March 31, 2019, 2018 and 2017**

| | Note | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| **Cash provided by (used in):** | | | | |
| **Cash flows used in operating activities** | | | | |
| Net loss | | $ **(3,104,301)** | $ (566,083) | $ (102,019) |
| Items not affecting cash: | | | | |
| Deferred taxes | | **(391,995)** | | |
| Amortization | | **202,980** | 1,926 | 2,054 |
| Accretion | | **89,997** | - | - |
| Stock-based compensation | | **66,280** | - | - |
| Loss on disposal of assets | | **23,324** | - | - |
| Change in non-cash working capital | 23 | **1,045,944** | 171,326 | 106,318 |
| **Net cash provided by (used in) operating** | | **(2,067,771)** | (392,831) | 6,353 |
| **Cash flows from investing activities** | | | | |
| Cash acquired on acquisition | | **161,070** | - | - |
| Purchase of property, plant and equipment | | **(6,572)** | - | (4,210) |
| Proceeds from sale of equipment | | **4,698** | - | - |
| **Net cash provided by (used in) investing activities** | | **159,196** | - | (4,210) |
| **Cash flows from financing activities** | | | | |
| Repayment of amounts due to related parties, net | | **(206,167)** | (340,945) | (88,821) |
| Proceeds from operating line | | **-** | 499,500 | - |
| Repayment of operating line | | **(512,350)** | - | - |
| Proceeds from long-term debt | | **66,698** | 250,000 | - |
| Repayment of long-term debt | | **(21,200)** | - | - |
| Repayment of lease liability | | **(3,298)** | - | - |
| Proceeds from promissory notes | | **360,000** | - | - |
| Proceeds from convertible debt | | **1,895,000** | - | - |
| Deposits on share issuances | | **1,015,013** | - | - |
| Issuance of share capital | | **60,876** | - | - |
| Dividends paid | | **-** | - | (30,990) |
| **Net cash provided by (used in) financing** | | **2,654,572** | 408,555 | (119,811) |
| **Effect of change in foreign exchange rates on cash** | | **(27,812)** | - | - |
| **Increase (decrease) in cash** | | **718,185** | 15,724 | (117,668) |
| **Cash, beginning of year** | | **25,381** | 9,657 | 127,325 |
| **Cash, end of year** | | $ **743,566** | $ 25,381 | $ 9,657 |

See accompanying notes to the consolidated financial statements

## 1. Company Overview

eBuyNow eCommerce Ltd. (the "Company" or "eBuyNow"), together with its subsidiaries (collectively the "Group") was incorporated under the British Columbia *Business Corporation Act* on April 19, 2012. eBuyNow sells electronic products online, develops and maintains e-commerce platform hosting services. The Company is domiciled in Canada and the address of its registered office is 301-1321 Blanshard St, Victoria, BC, V8W 0B6.

## 2. Basis of presentation

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These are the Group's first IFRS financial statements and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRS has affected the reported equity, comprehensive loss and cash flows of the Group is provided in note 6.

These consolidated financial statements were authorized for issue by the Board of Directors of the Company on June 12, 2020.

### (b) Going concern

These 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 Group be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The Group had a net loss of $3,104,301 for the year ended March 31, 2019 (2018 - $566,083 and has a deficit of $3,828,239 at March 31, 2019 (2018 – $354,336).

These factors indicate the existence of material uncertainty that may cast significant doubt as to the ability of the Group to continue as a going concern.

Whether and when the Group can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to March 31, 2019 is uncertain. Until this time, management will have to raise funds by way of debt or equity issuances or improve profitability. The Group has raised additional debt and equity subsequent to year-end (note 26).

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

### (c) Basis of consolidation

The Company, as the controlling company, consolidates all of its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated on consolidation. Subsidiaries are those entities the Company controls by having the power to govern the financial and operating policies of the entity. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date the Company acquires control of them and are deconsolidated from the date control ceases.

**(d) Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars ("CAD"), which is the Company's functional currency. The functional currencies of the Company's subsidiaries are as follows:

| Subsidiary | Place of Incorporation | Currency |
|---|---|---|
| eBuyNow LLC | USA | United States Dollar ("USD") |
| eBuyNow eCommerce Ltd. | United Kingdom | British Pound ("GBP") |
| eBuyNow eCommerce B.V. | Netherlands | Euro ("EUR") |
| eBuyNow eCommerce, S. DE R.L. DE C.V. | Mexico | Mexican Peso ("MXN") |
| eBN eCommerce Private Limited | India | Indian Rupee ("INR") |
| PerimeterSafe Holdings Limited | Canada | CAD |
| EBN Holdings Ltd. | Canada | CAD |
| PerimeterSafe Home Monitoring Limited | Canada | CAD |
| Premietech Limited | Hong Kong | Hong Kong dollar ("HKD") |
| Cinatic Technology Ltd. | Hong Kong | HKD |
| Cinatic Shenzhen | China | Chinese Renminbi ("RMB") |
| Premielink Company Limited | Vietnam | Vietnamese Dong ("VND") |

**(e) Basis of measurement**

These consolidated financial statements have been prepared on the historical cost basis except for items where an alternative basis is required or permitted by IFRS. Details on these items are included below in Note 3, Significant Accounting Policies.

**(f) Critical accounting estimates**

The preparation of the consolidated financial statements and application of IFRS require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4, Critical Accounting Estimates and Assumptions.

## 3. Significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**(a) Foreign currency**

(i) Foreign currency transactions

Foreign currency transactions are translated into Canadian Dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and intangibles acquired in business combinations involving foreign operations, are translated into Canadian Dollars using the exchange rates at the financial year-end date. The revenues and expenses of foreign operations are translated into Canadian Dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognized in other comprehensive income.

**(b) Cash and cash equivalents**

Cash includes cash on hand and deposits held at call with financial institutions. Cash equivalents include other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Group did not have any cash equivalents at March 31, 2019, 2018, 2017 or April 1, 2016.

**(c) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification

The Group classifies its financial assets in the following three categories:

- Assets carried at amortized cost ("Amortized Cost")
- Assets carried at fair value through other comprehensive income ("FVTOCI")
- Assets carried at fair value through profit and loss ("FVTPL")

The classification depends on both the Group's business model for managing the financial instrument and the contractual terms of the instrument itself.

A financial asset is classified as Amortized Cost if the objective of the business model is to hold the financial asset for the collection of the cash flows; and all contractual cash flows represent only principal and interest on that principal.

A financial asset is classified as FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

All financial assets that do not meet the criteria to be classified as Amortized Cost or FVTOCI are classified as FVTPL, this includes all derivative financial assets. The Group may make an irrevocable election to designate a financial asset that would otherwise be classified in another category as FVTPL. If the election is made it is irrevocable, meaning that asset must remain categorized as FVTPL until that asset is derecognized.

Financial liabilities are initially measured at fair value and subsequently measured at amortized cost.

Financial liabilities are de-recognized from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

The Group has classified cash, accounts receivable and amounts due from related parties as financial assets carried at amortized costs.

The Group has classified operating line of credit, accounts payable, due to related parties, promissory notes, long-term debt and convertible debentures as financial liabilities carried at amortized cost.

Purchases and sale of financial assets are recognized on the settlement date, which is the date in which the asset is delivered to or by the Group. Financial assets are derecognized when the rights to receive cash flows have expired or are transferred and the Group has transferred substantially all risks and rewards of ownership.

Measurement

Financial assets carried at Amortized Cost or FVTOCI are initially measured at their fair value plus transactions costs. Financial assets carried at FVTPL are initially measured at their value, with any associated transaction costs being immediately expensed through profit or loss.

Subsequent measurement of financial assets depends on the category the asset has been assigned to.

Gains or losses on assets carried at Amortized Cost are recorded in profit or loss upon derecognition, or earlier if the asset is impaired.

Gains or losses on assets carried at FVTPL are recorded in profit or loss in the period in which they occur.

Impairment

The Group recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. Expected credit losses exist if, after initial recognition of the financial asset, one or more indicators exist that reduce estimated future cash flows from the financial asset and that impact can be reliably measured. The Group applies the simplified approach to expected credit loss measurement, which uses a lifetime expected impairment to determine the expected credit loss. The Group uses a combination of historical and forward-looking information to determine the appropriate expected credit loss. The carrying amount of the asset is reduced through an allowance account, and the loss is recognized in selling, general and administrative expenses.

**(d) Accounts receivable**

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

**(e) Inventory**

Inventory consists of finished goods that are stated at the lower of cost and net realizable value on an average cost basis. Costs of purchased inventory include purchase and delivery costs, net of rebates and discounts received or receivable.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

During the year ended March 31, 2019, $1,954,230 (2018 - $387,748; 2017 - $511,133) of inventory was recognized in cost of products sold.

**(f) Property, plant and equipment**

Property, plant and equipment is presented at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

| | | |
|---|---|---|
| Computer Equipment | – | 3 years |
| Furniture | – | 5 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is de-recognized upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

**(g) Leases**

A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis, determined as the present value of future lease payments at commencement date, discounted using the interest rate implicit in the lease or, if not readily determinable, the Group's incremental borrowing rate on similar assets. Right-of-use assets are accounted for under IAS 16 Property, Plant and Equipment and are depreciated using the straight-line method from the commencement date to the end of the lease term.

**(h) Intangible assets**

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets acquired through asset acquisitions or business combinations are initially recognized at fair value, based on an allocation of the purchase price. The intangible assets consist of acquired technology and customer relationships and are amortized on a straight-line basis over their estimated useful lives of three years.

The amortization method, estimated useful lives and residual values are reviewed annually, or more frequently, if required and are adjusted as appropriate.

**(i) Accounts payable**

Trade payables are amounts due to suppliers for merchandise purchased or services received in the ordinary course of business.

**(j) Long-term debt**

Long-term debt is initially recognized at fair value, net of transaction costs, and are subsequently measured at amortized cost. Any difference between cost and the face value is recognized in the statement of income over the period of the borrowings using the effective interest method. Amounts classified as long-term debt are due more than 12 months after the end of the reporting date; any amounts due within 12 months are reclassified to short-term debt in the reporting period in which they become due within 12 months.

**(k) Compound financial instruments**

The components of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the issuance date, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability based on amortized cost until the instrument is converted or matures. The equity component is determined by deducting the liability component from the total fair value of the compound instrument and is recognized as equity, net of income tax effects, with no subsequent re-measurement.

**(l) Research and development costs**

Internally generated expenses on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in profit or loss as an expense in the period in which they are incurred. Internally generated development costs are capitalized when the costs are expected to provide future benefits with reasonable certainty and the costs meet all the criteria for capitalization. No internal development costs have been capitalized as at and during the fiscal periods ended March 31, 2019, 2018 and 2017.

**(m) Income taxes**

Income tax expense or recovery is comprised of current and deferred tax. Income tax expense or recovery is recognized in profit or loss except to the extent that it relates to items recognized in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, plus any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, including carry forward of non-capital losses, can be utilized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they are related to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, where the intention is to settle current tax liabilities and asset on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that the related tax benefit will be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future profit will allow the deferred tax asset to be recovered.

**(n) Stock-based compensation**

The Group uses the fair value method for valuing stock-based compensation. Under this method, the cost attributed to stock options and warrants granted is measured at the fair value using the Black-Scholes option pricing model at the grant date; compensation cost for options is expensed over the vesting period with a corresponding increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the settlement of the stock options and warrants the previously recognized value is recorded as an increase to share capital.

**(o) Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the common shares are recognized as a deduction from equity, net of any tax effects.

**(p) Revenue recognition**

The Revenue is recognized in a manner that depicts the transfer of promised goods or services to the customer at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. For each contract with a customer, the Group applies the following five step model:

1) Identify the contract with a customer;

2) Identify the performance obligations in the contract;

3) Determine the transaction price which takes into account estimates of variable consideration and the time value of money;

4) Allocate the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and

5) Recognize revenue when the performance obligation is satisfied and in a manner that depicts the transfer of the goods or services promised to the customer.

The Group's sources of revenue consist of:

i. E-Commerce Product Sales

The Group generates Product Sales over its eCPs. Revenue earned from E-Commerce Product Sales is recognized at a point in time, upon shipment of goods. Shipment occurs when the products have been shipped from the Group's warehouse, the risks of damage and loss have been transferred from the Group and either the customer has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.The Group's cost of revenues from E-Commerce Product Sales consists of supplier product costs, shipping costs, import and duty fees, direct product marketing, inventory management and product return handling costs.

ii. Digital Services

a. E-commerce Platform (eCP) Hosting Services, Software Development and Maintenance,

The Group principally generates eCP Hosting Services and Software Development and Maintenance revenues by entering into contracts to host e-commerce websites on its proprietary platform or to develop a platform for customers.

Revenue from eCP Hosting Services, Software Development and Maintenance is recognized over time on a ratable basis, usually monthly, over the contract term. The contract terms are annual or multi-year service terms. Revenue recognition begins on the date that the Group's service is made available to the customer.

Certain subscription contracts have a transaction price that includes a variable component that is based on the number of service transactions made on the platform in a given month, resetting each

month. In such cases, the Group allocates the variable consideration to the period that it was earned.

The Group's cost of revenues from E-Commerce Product Sales consists of supplier product costs, shipping costs, import and duty fees, direct product marketing, inventory management and product return handling costs.

iii. Sub-Licensing fees

The Group earns Sub-Licensing fees by providing access to existing licenses to suppliers, whose products are sold by the Group over the eCPs.

Revenue from Sub-Licensing is recognized over time, usually monthly, over the contract term. Revenue recognition begins on the date that the Group's service is made available to the customer and can include variable transaction prices that are based on the number of activities in a given month. In such cases, the Group allocates the variable consideration to the period that it was earned.

The Group's cost of revenues from Sub-Licensing consist of allocations of direct personnel costs, credit card fees and third-party infrastructure and hosting costs

iv. Affiliate Commission fees

The Group earns Affiliate Commission fees by redirecting purchase orders over the eCPs, originating in territories that the Group does not sell products, to affiliate websites. Revenue from Affiliate Commissions is recognized at a point in time, upon notification of the product sale by the affiliate.

The Group's cost of revenues from Affiliate Commissions consists of allocations of direct personnel costs and third-party infrastructure and hosting costs.

Arrangements with customers do not provide the customers with the right to take possession of the software supporting the Group's eCP at any time and are therefore accounted for as service contracts.

The Group's eCP Hosting Services, Software Development and Maintenance, Sub-Licensing and Affiliate Commission arrangements do not provide for refunds or any other rights of return to customers in the event of cancellations.

*Principal versus Agent*

The Group follows the guidance provided in IFRS 15 for determining whether the Group is acting as the principal or agent in its arrangements and whether the Group should recognize revenue based on the gross amount billed to purchasers or the net amount retained. This determination is a matter of judgment that depends on the facts and circumstances of each arrangement. The Group recognizes revenue from E-Commerce Product Sales on a gross basis as the Group is primarily responsible for the fulfilment and has control of the promised good and therefore is the principal in the arrangement with purchasers. The Group recognizes revenue from Affiliate Commissions on a net basis as the Group is not primarily responsible for the fulfilment and instead arranges for another party to fulfil the product sale and therefore is the agent in the arrangement with purchasers. All other revenue is reported on a gross basis, as the Group has determined it is the principal in the arrangement. Sales taxes collected from purchasers and remitted to government authorities are excluded from revenue.

*Multiple Performance Obligations*

The Group's arrangements can include multiple performance obligations. When contracts involve multiple performance obligations, the Group evaluates whether each performance obligation is distinct and separately identifiable, and should be accounted for as a separate unit of accounting under IFRS 15. In the case of eCP Hosting Services and Software Development and Maintenance, the Group has determined that the various services in these arrangements are a distinct series of services that are substantially the same and have the same pattern of transfer to the customer, representing one performance obligation. Similarly, Sub-Licensing arrangements provide suppliers with the right to access the Group's licenses over a specified period of time and represent one performance obligation. For Product Sales, the Group has determined that the sale of the product and the related shipping obligation are separately identifiable promises. The total transaction price is determined at the inception of the contract and allocated to each performance obligation based on their relative standalone selling prices. The Group generally determines stand-alone selling prices based on prices charged to customers or using expected cost plus margin.

*Timing of Payment*

The Group receives payment for E-Commerce Product Sales upon purchase through the eCP. For eCP Hosting Services, Software Development and Maintenance and Sub-licensing, the Group generally receives payment from its customers at the time of invoicing. For Affiliate Commissions, the Group generally receives payment when affiliate sales are completed. In instances where the timing of revenue recognition differs from the timing of invoicing and payment, the Group has determined that contracts generally do not include a significant financing component.

*Right of Return*

Refund liabilities (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognized for products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned is historically consistent, it is not highly probable that a significant reversal in the cumulative revenue recognized will occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a provision.

**(q) Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**(r) Segmented reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO"), to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CEO, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, corporate general and administrative expenses, finance income and costs, and income tax assets and liabilities.

**(s) Earnings per share**

Basic earnings per share is calculated by dividing net profit for the period available to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated using the weighted-average number of ordinary shares outstanding adjusted to include the potentially dilutive effect of common equivalent shares outstanding.

**(t) Determination of fair values**

Certain of the Group's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair values of cash, accounts receivable, and accounts payable and accrued liabilities approximates their carrying values due to their short term to maturity.

The significance of inputs used in making fair value measurements for assets and liabilities measured at fair value are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

**(u) Business combinations and goodwill**

Acquisitions of businesses are accounted for using the acquisition method. The acquiree's identifiable assets and liabilities are generally recognized at their fair values at the date of acquisition. Acquisition-related transaction costs are expensed as incurred. The fair value of contingent consideration is considered part of the consideration transferred and included in the total purchase price on the acquisition date. Contingent consideration classified as equity is not remeasured subsequent to the acquisition date (other than for measurement period adjustments) and its subsequent settlement is accounted for within equity. Contingent consideration that is a liability, is remeasured to fair value at each reporting date until the contingency is resolved, with changes in fair value recorded in other income.

Goodwill is recognized at the acquisition date as the excess of the fair value of consideration transferred less the net recognized amount (generally fair value) of identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Goodwill is not subject to amortization and is measured at cost less accumulated impairment losses.

The allocation of the purchase price to the net assets acquired may be adjusted to reflect new information obtained about facts and circumstances that exist at the acquisition date, up to a maximum of 12 months following the date of acquisition. Changes to the allocation of the purchase price during this measurement period are recognized retrospectively.

**(v) Impairment**

At each reporting date, the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed to determine whether there is an indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Goodwill is tested annually for impairment. Cash-generating units are the smallest identifiable groups of assets that generate cash inflows from the continuing use that are largely independent of the cash inflows of other assets or cash-generating units. For the purposes of assessing for indications of impairment and impairment testing, assets that do not generate largely independent cash inflows are grouped into cash-generating units. The recoverable amount of a cash generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in profit or loss and allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of cash generating units), and then to reduce the carrying amounts of the other assets in the cash generating unit (group of cash generating units) on a pro rata basis.

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount, with the exception of impairment losses on goodwill, which are not reversed. When an impairment loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed what the carrying amount would have been had no impairment losses been recognized for the asset in prior years.

## 4. Critical Accounting Estimates and Assumptions

The preparation of the Group's consolidated financial statements, in accordance with IFRS, requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Significant estimates, judgments and assumptions in these financial statements are discussed below. Actual results may differ from the estimates made by management

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

The following are the significant judgments, estimates and assumptions that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in these consolidated financial statements:

Significant judgments in applying accounting policies:

*(a) Functional currency*

Management considers the functional currency applied to each entity to be the currency that most faithfully represent the economic effect of the underlying transactions, events and conditions of that entity. This determination factors in the currency in which the entities measure their performance and report results, as well as the currency in which they receive equity injections from investors and obtain credit facilities. This determination also considers the competitive environment in which the entities operate.

*(b) Going concern*

Determining if the Corporation has the ability to continue as a going concern is dependent on its ability raise additional financing and to achieve profitable operations. Certain judgments are made when determining if the Corporation will be able to continue as a going concern. Further disclosure is included in note 2(b).

*(c) Revenue recognition*

A significant portion of the Group's revenue is generated from large and complex customer contracts. Management's judgment is applied regarding, among other aspects, the evaluation of multiple components within these arrangements to assess whether deliverables can be recognized separately for revenue recognition purposes.

Key sources of estimation uncertainty

The following are the key estimates and related assumptions concerning the sources of estimation uncertainty that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities:

*(a) Revenue Recognition*

In its determination of the amount and timing of revenue to be recognized, management relies on assumptions and estimates supporting its revenue recognition policy. Estimates of the percentage-of-completion for customer projects are based upon current actual and forecasted information and contractual terms.

*(b) Lease liability*

The amount recognized as a lease liability and the corresponding right of use assets is dependent on management's assessment of the incremental borrowing rate.

*(c) Deferred taxes*

Deferred tax assets and liabilities are recognized for temporary differences and for tax loss carryforwards. The valuation of deferred tax assets is based on management's estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carryforwards may be utilized. Income taxes comprise current and deferred tax. Current tax represents the expected tax payable on taxable income for the year using enacted or substantively enacted tax rates at the end of the reporting year, and any adjustments to tax payable related to prior years. Deferred tax financial reporting purposes and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized to the extent that realization is considered probable. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. Management considers projected future taxable income, uncertainties related to the industry in which the Group operates and income tax planning strategies in making this assessment. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

*(d) Estimate of useful lives of intangible assets*

Useful lives over which intangible assets are depreciated or amortized are based on management's judgment of future use and performance. Expected useful lives are reviewed annually for any change to estimates and assumptions.

*(e) Goodwill valuation*

The Group uses estimates in determining the recoverable amount of our cash-generating unit ("CGU") in performing annual impairment testing of goodwill. The determination of the recoverable amount for the purpose of impairment testing requires the use of significant estimates, such as future cash flows, terminal growth rate and discount rate. Value in use for impairment tests is estimated by discounting estimated future cash flows for periods up to five years to their present value. The future cash flows are based on our estimates of expected future operating results of the cash generating unit ("CGU") after considering economic conditions and a general outlook for the CGU's industry. Discount rates consider market rates of return, debt to equity ratios and certain risk premiums, among other things. The terminal value is the value attributed to the CGU's operations beyond the projected time period of the cash flows using a perpetuity rate based on expected economic conditions and a general outlook for the industry. Certain assumptions are made when deriving expected future cash flows, which may include assumptions pertaining to discount and terminal growth rates. These assumptions may differ or change quickly depending on economic conditions or other events. It is therefore possible that future changes in assumptions may negatively affect future valuations of the CGU and goodwill, which could result in impairment losses.

*(f) Stock-based compensation*

The amounts recognized relating to the fair value of stock options and warrants are based on estimates of future volatility in the Company's share prices, the expected lives of options and warrants, the risk-free interest rate, and other relevant assumptions. Volatility is estimated based on the average price volatility of common shares of a comparative group of public companies over the preceding period equaling the expected lives of the Company's options.

*(g) Compound financial instruments*

Certain financial instruments are comprised of a liability and an equity component. The determination of the amount allocated to the liability and equity components requires management to estimate various components and characteristics of present value calculations used in determining the fair value of the instrument, including the market interest rates of non-convertible debentures.

*(h) Business combinations*

The purchase price on business combinations is allocated to the fair value of the assets and liabilities acquired. The determination of fair values requires management to estimate the fair value of intangibles acquired based on estimated future cash flows.

## 5. Financial risk management

Overview

The Group's planned operations will expose it to a variety of financial risks that arise as a result of its operating and financing activities:

- credit risk;
- liquidity risk; and,
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

The Group employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Group's business objectives and risk tolerance levels. While the Directors have the overall responsibility for the establishment and oversight of the Group'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 Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk at March 31, 2019 and 2018 is as follows:

| | Carrying amount | Carrying amount | Carrying amount |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| Cash | $ 743,566 | $ 25,381 | $ 9,657 |
| Accounts receivable | 791,242 | 197,921 | 217,959 |
| Due from related parties | - | 442,959 | 102,014 |
| Total | $ 1,534,808 | $ 666,261 | $ 329,630 |

Cash consists of cash bank balances. The Group manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

The aging of receivables at the reporting date was:

| | **2019** | **2018** | **2017** |
|---|---|---|---|
| Not past due | $ 573,925 | $ 177,164 | $ 113,530 |
| 31 – 60 days | 85,789 | 3,940 | 57,255 |
| 61 – 90 days | 73,963 | - | 42,569 |
| More than 90 days | 68,902 | 21,120 | 4,605 |
| Allowance for expected credit loss | (11,337) | (4,303) | - |
| Total | $ 791,242 | $ 197,921 | $ 217,959 |

There is no concentration of credit risk with respect to accounts receivables, as the Group has a large number of customers, internationally dispersed. The Group considers accounts greater than 60 days old overdue. Accounts receivable includes $142,865 of accounts that are greater than 60 days old as at March 31, 2019 (2018 - $21,120). The Group has recognized an expected credit loss of $11,337 on the accounts receivable at March 31, 2019 (2018 - $4,303; 2017 - $NIL).

Liquidity risk

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

The Group's operating cash requirements including amounts projected to complete the Group's existing capital expenditure program are continuously monitored and adjusted as input variables change. As these variables change, liquidity risks may necessitate the Group to conduct equity issues or obtain project debt financing.

The Group will require additional funding to reduce its exposure to liquidity risk. The Group continuously monitors its actual and forecast cash flows to review whether there are adequate reserves to meet the maturing profiles of its liabilities. The following table outlines the maturities of the Group's liabilities:

| | Contractual Cash Flows | Due in 2020 | Due in 2021 | Thereafter |
|---|---|---|---|---|
| Operating line of credit | $ 64,818 | $ 64,818 | $ - | $ - |
| Accounts payable | 2,652,145 | 2,652,145 | - | - |
| Promissory notes | 610,000 | 360,000 | 250,000 | - |
| Long-term debt | 890,478 | 380,759 | 380,759 | 128,960 |
| Lease liability | 687,084 | 437,656 | 249,428 | - |
| Convertible debt | 3,385,000 | 830,000 | 2,555,000 | - |
| | $ 8,289,525 | $ 4,725,378 | $3,435,187 | $ 128,960 |

The Group will closely monitor its cash and will take the necessary measures to manage its liquidity risk, such as reducing spending, improving profitability and raising funds as required.

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 Group is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates.

The Group is exposed to interest rate risk on the operating line of credit and long-term debt that bear interest at variable rates of interest. A 1% change in the interest rate would have a $8,900 impact on the net loss and cash flow of the Group.

Foreign exchange risk

The Group's financial performance is closely linked to foreign exchange currency. While the Group may employ the use of various financial instruments in the future to manage these price exposures, the Group is not currently using any such instruments.

At March 31, 2019, the Group's exposure to currency risk consists of the following:

| | GBP | MXN | INR | HKD |
|---|---|---|---|---|
| Cash | 17,560 | 95,763 | 48,113 | 765,196 |
| Accounts receivable | 57,592 | - | 302,693 | 8,656,853 |
| Accounts payable and accrued liabilities | 21,970 | - | 1,787,283 | 13,810,562 |

A 1% in the exchange rate would have a $41,194 impact on the net loss and cash flow of the Group.

Capital management

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

The Group will manage its capital structure and make changes to it in the light of changes to economic conditions and the risk characteristics of the nature of the business. The Group considers its capital structure to include shareholders' equity/deficit and working capital deficit. In order to maintain or adjust the capital structure, the Group may from time to time issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure.

The Group is not subject to externally imposed capital requirements.

## 6. Explanation of Transition to IFRS

As stated in note 2(a), these are the Group's first consolidated financial statements prepared in accordance with IFRS. The accounting policies set out in note 2 have been applied in preparing the consolidated financial statements for the years ended March 31, 2019, 2018 and 2017 and in the preparation of an opening IFRS statement of financial position at April 1, 2016.

In preparing its opening IFRS statement of financial position, there were no adjustments to the Group's statement of financial position, statements of loss and comprehensive loss and statements of cash flows to the amounts reported previously in financial statements, and no exemptions or differences in estimates were used.

## 7. Business combination

(a) Cinatic Technology Limited

On January 31, 2019, the Group acquired 100% of the ordinary shares of Cinatic Technology Limited ("Cinatic"), together with its wholly-owned subsidiaries Cinatic Shenzhen, Premielink Company Limited and Freetalk Connect Ltd. The purchase price was $10,360,313 which was satisfied through the issuance of 22,987,500 common shares of the Company valued at $8,620,313, $250,000 of promissory notes payable and $1,490,000 of convertible debentures.

The transaction qualifies as a business combination and was accounted for in accordance with IFRS 3 Business Combinations using the acquisition method of accounting. The consideration consisted of:

| | | |
|---|---|---|
| Share consideration | $ | 8,620,313 |
| Promissory notes | | 250,000 |
| Convertible debentures | | 1,490,000 |
| | $ | 10,360,313 |

The consideration has been allocated to the fair value of the assets and liabilities acquired as follows:

| | |
|---|---|
| Net working capital | $ (1,329,967) |
| Property and equipment | 92,996 |
| Right of use asset | 679,655 |
| Intangible assets | 2,375,729 |
| Goodwill | 9,522,177 |
| Short-term debt | (327,940) |
| Long-term lease liabilities | (260,342) |
| Deferred taxes | (391,995) |
| | $ 10,360,313 |

Since the acquisition date, revenues of $401,871 and net loss of $595,499 related to those entities were included in the consolidated statement of loss and comprehensive loss for the year ended March 31, 2019. If the acquisition had occurred on April 1, 2018, consolidated pro forma revenue and net loss for the Group for the year ended March 31, 2019 would have been $5,876,864 and $3,380,426, respectively.

(b) Other

The Company completed a number of acquisitions of related parties during the year ended December 31, 2019 for nominal consideration, including EBuyNow LLC, EBuyNow eCommerce Ltd., EBuyNow eCommerce BV, EBuyNow eCommerce S. DE R.L. DE C.V., eBN eCommerce Private Limited, EBN Holdings Limited and PerimeterSafe Holdings Limited and its wholly-owned subsidiary PerimeterSafe Home Monitoring Limited.

The acquisitions of PerimeterSafe and EBuyNow eCommerce S. DE R.L. DE C.V. were considered common control acquisitions due to common ownership and are therefore scoped out of IFRS. At the acquisition date, the entities had no assets and net current liabilities of $369,602, which has been recorded as a decrease to retained earnings.

The remaining acquisitions had no assets and net current liabilities of $38,577, which has been recorded in general and administrative expenses in the consolidated statement of operations.

## 8. Due to/from related parties

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

## 9. Property and equipment

| | Computer Equipment | Furniture | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance at April 1, 2016 | $ 5,811 | $ 475 | $ 6,286 |
| Additions | 2,885 | 1,325 | 4,210 |
| Balance at March 31, 2017 | 8,696 | 1,800 | 10,496 |
| Additions | - | - | - |
| Balance at March 31, 2018 | 8,696 | 1,800 | 10,496 |
| Acquired in business combination | 92,996 | - | 92,966 |
| Additions | 6,572 | - | 6,572 |
| Disposals | (28,022) | - | (28,022) |
| Balance at March 31, 2019 | **$ 80,242** | **$ 1,800** | **$ 82,042** |
| | | | |
| **Accumulated amortization** | | | |
| Balance at April 1, 2016 | $ 3,915 | $ 48 | $ 3,963 |
| Depreciation for year | 1,836 | 218 | 2,054 |
| Balance at March 31, 2017 | 5,751 | 266 | 6,017 |
| Depreciation for year | 1,619 | 307 | 1,926 |
| Balance at March 31, 2018 | 7,370 | 573 | 7,943 |
| Depreciation for year | 6,824 | 244 | 7,068 |
| Balance at March 31, 2019 | **$ 14,194** | **$ 817** | **$ 15,011** |

| | Computer Equipment | Furniture | Total |
|---|---|---|---|
| **Net book value** | | | |
| **April 1, 2016** | **$ 1,896** | **$ 427** | **$ 2,323** |
| **March 31, 2017** | **$ 2,945** | **$ 1,534** | **$ 4,479** |
| **March 31, 2018** | **$ 1,326** | **$ 1,227** | **$ 2,553** |
| **March 31, 2019** | **$ 66,048** | **$ 983** | **$ 67,031** |

## 10. Right of use asset

The right of use asset consists of an office lease acquired as part of the Cinatic acquisition. The right of use asset consists of the following:

| | |
|---|---|
| Balance, April 1, 2016 and March 31, 2017 and 2018 | $ - |
| Acquired in business combination | 679,655 |
| Amortization | (64,491) |
| **Balance, March 31, 2019** | **$ 615,164** |

## 11. Intangible assets and goodwill

Intangible assets consist of the following:

| | Customer Relationships | Technology | Goodwill | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance, April 1, 2016, March 31, 2017 and 2018 | $ - | $ - | $ - | $ - |
| Acquired in business combination | 1,247,952 | 1,127,777 | 9,522,177 | 11,897,906 |
| Foreign currency translation | 17,898 | 16,175 | 125,204 | 159,277 |
| Balance at March 31, 2019 | **$ 1,265,850** | **$ 1,143,952** | **$ 9,647,381** | **$ 12,057,183** |
| **Accumulated amortization** | | | | |
| Balance, April 1, 2016, March 31, 2017 and 2018 | $ - | $ - | $ - | $ - |
| Amortization | 69,035 | 62,386 | - | 131,421 |
| Balance at March 31, 2019 | **$ 69,035** | **$ 62,386** | **$ -** | **$ 131,421** |
| **Net book value** | | | | |
| **April 1, 2016, March 31, 2017 and 2018** | $ - | $ - | $ - | $ - |
| **March 31, 2019** | **$ 1,196,815** | **$ 1,081,566** | **$ 9,647,381** | **$ 11,925,762** |

## 12. Operating line of credit

The loan payable is a credit facility for $500,000 revolving demand facility that has interest accrued at bank prime plus 2.17% per annum. The facility is available for the purpose of financing working capital. EDC Canada guarantees 90% of this facility with the balance guaranteed personally by the shareholders. The facility is secured by a general security agreement over all of the assets of the Company. The amount drawn on the facility at March 31, 2019 was $NIL (2018 - $499,500; 2017 - $NIL).

The Company's subsidiary has a credit facility for US$500,000 bearing interest at prime plus 1% per annum. The loan is guaranteed by two directors of the Group. The amount drawn on the facility at March 31, 2019 was CDN$64,818. The credit facility was terminated subsequent to year end.

## 13. Promissory notes

The promissory notes consist of the following:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Unsecured promissory note bearing interest at 8.5% per annum, maturing in July 2019 | $ 92,500 | $ - | $ - |
| Unsecured promissory note bearing interest at 20% per annum, maturing in September 2019 | 157,500 | - | - |
| Unsecured promissory note bearing interest at 20% per annum, maturing in June 2019 | 110,000 | - | - |
| Unsecured non-interest bearing promissory notes maturing in January 2021 | 250,000 | - | - |
| | 610,000 | - | - |
| Less: Current portion | 360,000 | - | - |
| | **$ 250,000** | **-** | **-** |

The principal repayments are as follows:

| | |
|---|---|
| 2020 | $ 360,000 |
| 2021 | 250,000 |
| | **$ 610,000** |

## 14. Long-term debt

The long-term debt consists of the following:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Loan payable bearing interest at bank prime plus 2.2% per annum, maturing in October 2023. Payable in monthly principal payments of $4,160 commencing in November 2018. Secured by a general security agreement and personal guarantees by two directors. | $ 228,800 | $ 250,000 | $ - |
| Working capital loan, unsecured, bearing interest at prime plus 1% per annum, half of the principal matures on August 3, 2019 and the remainder matures on August 17, 2020. | 661,678 | - | - |
| | 890,478 | 250,000 | - |
| Less: Current portion | 380,759 | 21,200 | - |
| | **$ 509,719** | **$ 228,800** | **-** |

The principal repayments are as follows:

| | |
|---|---|
| 2020 | $ 380,759 |
| 2021 | 380,759 |
| 2022 | 49,920 |
| 2023 | 49,920 |
| 2024 | 29,120 |
| | **$ 890,478** |

## 15. Lease liability

Lease liability consists of the following:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Opening balance | $ - | $ - | $ - |
| Acquired in business combination | 690,382 | - | - |
| Payments | (3,298) | - | - |
| | 687,084 | - | - |
| Less: Current portion | 437,656 | - | - |
| | **$ 249,428** | **$ -** | **$ -** |

The future cash flows arising from the lease are as follows:

| | 2020 | 2021 | Total |
|---|---|---|---|
| Future lease payments | $ 437,656 | $ 249,428 | $ 687,084 |
| Interest | 54,663 | 6,139 | 60,802 |
| Total payments | **$ 492,319** | **$ 255,567** | **$ 747,886** |

## 16. Convertible debt

On November 15, 2018, the Company issued $1,895,000 of convertible promissory notes. The notes bear interest at 8.5% per annum, have a maturity date of 2 years after issuance and are unsecured. The notes are convertible into common shares at a conversion price of $0.375 per share. In addition, the notes included 879,997 warrants that allow the holder to acquire 879,997 additional shares at $0.375 per share if the Group does not complete a public listing prior to maturity of the note.

On January 31, 2019, the Company issued $1,490,000 of convertible notes in connection with the Cinatic acquisition (note 7). The notes are non-interest bearing, have a maturity date one to two years after issuance and are unsecured. The notes are convertible into common shares at a conversion price of $0.50 per share. In addition, the notes included 794,000 warrants that allow the holder to acquire 794,000 additional shares at $0.50 per share if the Group does not complete a public listing prior to maturity of the note.

In accordance with IAS 32, the Group has determined the fair value of the liability by discounting the expected future cash flows of the liability component at a market rate of interest of 21.24% for non-convertible debt. The fair value of the liability component was $2,667,025 and the remaining $717,975 was recognized as the equity component of the convertible debt at inception. Accretion of $89,997 was recorded during the year ended March 31, 2019.

The value of the warrants was determined to be immaterial.

## 17. Revenue from Contracts with Customers

The Group's revenues from the transfer of goods and services recognized over time and at a point in time are derived from the following revenue streams and geographical regions:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| E-Commerce Product Sales | $ 2,199,676 | $ 262,523 | $ 494,801 |
| Digital services revenue | 403,661 | 958,327 | 1,323,636 |
| Affiliate Commissions | 22,424 | 57,230 | 26,365 |
| | **$ 2,625,761** | **$ 1,278,080** | **$ 1,844,802** |

Revenue by location of the end consumer consists of:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Canada | $ 1,615,739 | $ 1,276,621 | $ 1,263,316 |
| United States | 316,147 | 5,459 | 581,486 |
| China | 353,532 | - | - |
| United Kingdom | 296,630 | - | - |
| Other | 43,713 | - | - |
| | **$ 2,625,761** | **$ 1,278,080** | **$ 1,844,802** |

(i) E-Commerce Product Sales

The Group purchases and sells a range of electronic products such as smartwatches, air purifiers and baby monitors. Sales are recognized when control of the products has transferred, being when the products are shipped to the end customer, the customer has full discretion over the use of the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Payment of the transaction price is due immediately when the customer purchases the product online. For E-Commerce Product Sales, the Group does not grant any form of deferred payment terms to customers. It is the Group's policy to sell its products to the end customer with a right of return within 30 days.

(ii) Digital services

(a) eCP Hosting Services and Software Development and Maintenance

The Group provides eCP and web portal hosting, software development and related services for its customers to facilitate and support product sales. The Group integrates its proprietary software with inventory management services and E-Commerce Product Sales to provide a holistic eCP for its customers. The Group offers through its eCP a variety of customer support services including purchaser support, product knowledge base, reputation management and return management and authorization services. These services have been accounted for as a series of distinct services representing a single performance obligation because the Group provides its customers with a significant service of integrating multiple goods or services in a contract that produce a combined output. Variable consideration included as part of the Group's eCP Hosting Services and Software Development and Maintenance has been allocated and recognized in the period that it is earned.

(b) Sub-Licensing

The Group provides its suppliers with a right to access existing brand licenses held by the Group, which its suppliers apply to products sold directly to end-users and to the Group, to be sold as a part of its E-Commerce Product Sales.

(iii) Affiliate Commissions

The Group arranges for its affiliates to complete product sales in territories that the Group does not operate. The Group earns a commission fee on sales of products that have been redirected from the eCPs, to the affiliate websites.

## 18. Officers and directors compensation

In addition to their salaries, directors and officers participate in the Company's share option program (see note 21).

Key management personnel compensation comprised:

| | | 2019 | | 2018 | | 2017 |
|---|---|---|---|---|---|---|
| Wages and salaries | $ | 240,000 | $ | 240,000 | $ | 240,000 |
| Share-based | | 34,926 | | - | | - |
| | **$** | **274,926** | **$** | **240,000** | **$** | **240,000** |

Key management personal include directors, officers, and senior members of management of the Group.

## 19. Share capital

(a) Common Shares

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value.

The holders of Common Shares are entitled to dividends, if, as and when declared by the board of directors, to one vote per share at meetings of the shareholders of the Company and, upon dissolution, to share equally in such assets of the Company as are distributable to the holders of Common Shares.

| | Number of shares | $ |
|---|---|---|
| Balance at April 1, 2016 and March 31, 2017 and 2018 | 33,912,500 | 200 |
| Shares issued for cash | 6,087,500 | 60,876 |
| Issued in connection with Cinatic acquisition | 22,987,500 | 8,620,313 |
| Balance at March 31, 2019 | 62,987,500 | 8,681,389 |

In March 2019, the Group received $1,015,013 for 2,706,701 units that were issued subsequent to year end (note 26). The amount has been included in share issuance deposits on the consolidated statement of financial position.

## 20. Loss per share

The weighted average number of common shares used to calculate basic and diluted loss per share is 42,752,808 for the year ended March 31, 2019 (2018 and 2017 – 33,912,500). The Group excluded convertible debt and stock options from the calculation of diluted loss per share as they would be anti-dilutive.

## 21. Stock-based compensation

The Company has an option program that entitles officers, directors, employees and certain consultants to purchase shares in the Company. Options granted are exercisable at the market price of the shares at the date of grant, have a five year term and vest in accordance with the terms of the individual grants.

The number and weighted average exercise prices of share options are as follows:

| | 2019 | | 2018 and 2017 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding at beginning of year | - | $ - | - | $ - |
| Granted during the year | 900,000 | 0.01 | - | - |
| Outstanding at end of year | 900,000 | $ 0.01 | - | $ - |
| Exercisable at end of year | - | $ - | - | $ - |

During the year ended March 31, 2019, the Company issued 900,000 share options to employees and officers. These options all vest one-third annually over three years.

The fair value of the options issued to directors, officers, employees and consultants was estimated using the Black-Scholes option pricing model with the following weighted average inputs:

| | 2019 |
|---|---|
| Fair value per option | $0.37 |
| Share price | $0.375 |
| Exercise price | $0.01 |
| Expected life of options | 6 - 7 years |
| Expected volatility | 74% |
| Forfeiture rate | - |
| Risk-free rate of return | 2.30% |

Share-based compensation of $66,280 was expensed during 2019 (2018 - $NIL; 2017 - $NIL).

The weighted average remaining lives of the Company's outstanding options as at March 31, 2019 is 3.7 years.

## 22. Income Tax

The net deferred tax asset is comprised of the following differences:

| | **2019** | **2018** | **2017** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Non-capital losses | **1,156,694** | 157,331 | - |
| Net book value of assets in excess of tax base | **(363,225)** | 63 | 159 |
| Unrecognized deferred tax assets | **(793,469)** | (157,394) | (159) |
| **Deferred tax asset** | **-** | **-** | **-** |

As at March 31, 2019, the Corporation has Canadian non-capital loss carry forwards of approximately $6,179,545 (2018 - $606,587). The non-capital loss carry forwards expire at various dates from 2018 to 2038. The Corporation also has tax deductible balances of $2,492,644 (2018 - $304), relating to assets which have not been recognized on the consolidated statement of financial position.

The income tax provision differs from the amount that would be computed by applying the statutory income tax rates to profit or loss before income taxes.

The reconciliation of the differences is as follows:

| | 2019<br>$ | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| **Loss before income taxes** | **(3,492,296)** | (597,902) | (102,019) |
| **Weighted average statutory income tax rate** | **19.0%** | 21.0% | 23.5% |
| Expected income tax recovery | **(658,887)** | (125,559) | (23,974) |
| Permanent differences | **12,247** | (11,592) | 25,313 |
| Change in unrecognized deferred tax assets | **(23,801)** | (96) | (194) |
| Non recognized tax losses | **277,283** | 105,428 | - |
| Effect of change in tax rates | **1,560** | - | - |
| Other | **(397)** | - | (1,145) |
| **Income tax expense (recovery)** | **(391,995)** | (31,819) | - |

The 2019 effective tax rate is comprised primarily of the Canadian corporate rate of 20% and the Hong Kong tax rate of 16.5%. The effective tax rate has declined due to the inclusion of Hong Kong income subsequent to the Cinatic acquisition.

## 23. Net changes in non-cash working capital

Net changes in non-cash working capital consists of the following:

| | 2019<br>$ | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| Accounts receivable | **981,400** | 20,038 | (52,501) |
| Taxes receivable | **82,764** | (2,764) | 579,353 |
| Inventory | **(1,203,508)** | (22,381) | (18,909) |
| Prepaid expenses and deposits | **17,789** | - | - |
| Accounts payable and accrued liabilities | **1,167,499** | 176,433 | (401,625) |
| **Change in non-cash working capital** | **1,045,944** | 171,326 | 106,318 |

## 24. Segment information

The Group has operations across multiple geographic regions. It considers the basis on which it is organized, including geographic areas, in identifying its reportable segments. Operating segments of the Group are defined as components of the Group for which separate financial information is available and is evaluated regularly by the chief executive officer in allocating resources and assessing performance. The operating results are reported by legal entity and not the region of the end consumer.

Below is the breakdown of the operating results by geographic region.

| 2019 | Canada | Hong Kong | Other | Total |
|---|---|---|---|---|
| Revenue | $ 1,931,887 | $ 353,532 | $ 340,342 | $ 2,625,761 |
| Cost of goods sold | 1,467,807 | 327,052 | 159,371 | 1,954,230 |
| Gross margin | 464,080 | 26,480 | 180,971 | 671,531 |
| Bank charges and interest | (48,952) | (29,717) | (589) | (79,258) |
| Stock-based compensation | (66,280) | - | - | (66,280) |
| Amortization | (132,493) | (70,487) | - | (202,980) |
| Accretion | (89,997) | - | - | (89,997) |
| Interest expense | (109,618) | - | - | (109,618) |
| Other expenses | (3,064,330) | (521,775) | (33,589) | (3,619,694) |
| Net loss before tax | $ (3,047,590) | $ (595,499) | $ 146,793 | $ (3,496,296) |
| | | | | |
| Non-current assets | $ 2,664 | $ 12,605,293 | $ - | $ 12,607,957 |
| Total assets | $ 2,286,516 | $ 12,899,111 | $ 267,495 | $ 15,453,122 |
| Total liabilities | $ 5,924,037 | $ 2,624,459 | $ 120,743 | $ 8,669,239 |

The Group only had one reportable segment in 2018 and 2017.

## 25. Contingencies

According to a manufacturing agreement signed between the Group and a supplier (the "Manufacturer"), by December 2020 or in the event of early termination of the agreement, whichever is earlier, the Group shall pay to the Manufacturer the unamortized tooling fee calculated on a pro-rata basis based on the shortfall number of pieces by 300,000.

The Group started to place purchase orders with the Manufacturer from September 2018 and continuously purchases the finished goods from the Manufacturer. The Group estimates the future probable obligation due to the shortfall could be a range from $NIL to US$344,852. The final manufacture quantity is highly related to the sales orders placed by customers; therefore, the future probable obligation cannot be reliably estimated.

## 26. Subsequent events

On April 1, 2019, the Company converted $255,000 of promissory notes plus accrued interest of $13,612 into 716,300 common shares at a conversion price of $0.375 per share.

On April 1, 2019, the Company issued $50,000 of convertible promissory notes. The notes are unsecured, bear interest at 8.5% per annum and mature on April 1, 2021. The notes are convertible at $0.375 per share. If the Company does not complete a public listing by April 1, 2021, the note holders are entitled to receive 33,333 shares at $0.375.

On April 2, 2019, the Company issued $100,000 of convertible promissory notes. The notes are unsecured, non-interest bearing and mature on January 1, 2021 and were subsequently converted to common shares on April 28, 2020 (see below).

On April 3, 2019, the Company issued 6,948,370 units for gross proceeds of $2,605,639. Each unit consists of one common share and one warrant entitling the holder to purchase one additional share at $0.375 per share.

On September 5, 2019, the Company issued a $230,000 promissory note and provided the issuer the option to purchase up to 160,000 common shares at $0.50 per share. The loan is non-interest bearing, unsecured and is due on demand and has since been repaid.

On October 4, 2019, the Company received a $1,000,000 loan. The loan bore interest at 12% per annum and provided the issuer the option to purchase up to 200,000 common shares at $0.50 per share. The loan plus accrued interest was exchanged for secured debentures issued in November 2019 (see below).

On October 23, 2019, the Company received a $400,000 loan. The loan bore interest at 12% per annum and provided the issuer the option to purchase up to 186,666 common shares at $0.75 per share. The loan plus accrued interest was exchanged for secured debentures issued in November 2019 (see below).

In November 2019, the Company issued $3,063,114 of secured debentures. The debentures bear interest at 12% per annum, mature in November 2021 and are secured by a general security agreement. The debenture holders were issued warrants to purchase common shares at a 33% discount. The number of warrants the debentures are eligible to receive will vary dependent upon the price of a common share upon completion of a public company listing.

On February 27, 2020, the Company received a convertible loan of HK$1,340,000. The loan bears interest at 10% per annum with installment repayments of principal due on June 27, 2020 and July 27, 2020.

On April 1, 2020, the Company issued a total of 179,075 additional warrants in connection to a convertible note issued on September 1st, 2018, each warrant is exercisable at $0.375 per share at any time up to April 1, 2021.

On April 28, 2020, the Company received conversion notices for a total of $930,000 convertible notes. The notes were converted to common shares at $0.50 per share for 1,860,000 shares. In connection with this conversion, the Company issued a total of 489,000 additional warrants exercisable at $0.50 per share at any time up to January 1, 2021.

On May 8, 2020, the Company received a warrant exercise notice to purchase 250,000 common shares and received proceeds of $93,750.

In the period through June 4, 2020, the Company granted 6,125,000 stock options with exercise prices from $0.375 to $0.75 to various employees.

At June 4, 2020, the Company had interest payments outstanding of $116,827 on its promissory notes (Note 13) and convertible notes (Note 16).

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 impact of COVID-19 could negatively impact the Company's operations and customer base. The operations for the Company's products could be negatively impacted by the regional and global outbreak of COVID-19, for an unknown period of time. Any quarantines, labor shortages or other economic impacts of the pandemic may adversely impact the Company's revenues and operating results. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, which could affect the Group's ability to raise additional debt or equity financing. The extent to which the coronavirus impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

**SCHEDULE J**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF EBN FOR THE YEARS ENDED MARCH 31, 2020, AND MARCH 31, 2019

See attached.

**EBUYNOW ECOMMERCE LTD.**

**MANAGEMENT'S DISCUSSION & ANALYSIS**
**FOR THE YEAR ENDED MARCH 31, 2020**

## Introduction

The following management's discussion and analysis ("**MD&A**") of the financial condition and results of the operations of eBuyNow eCommerce Ltd. (the "**Company**") constitutes management's review of the factors that affected the Company's financial and operating performance for the years ended March 31, 2020, and March 31, 2019. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited financial statements of the Company for the years ended March 31, 2020, and March 31, 2019, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The audited financial statements of the Company for the years ended March 31, 2020, and March 31, 2019, have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, of the Company (the "**Board**") considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the class "A" common voting shares in the capital of the Company (the "**Common Shares**"); or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity. The date of this MD&A is February 2, 2021.

All dollar amounts in this MD&A are in Canadian dollars unless otherwise indicated.

## Forward-Looking Information

This MD&A contains "forward-looking information", as that term is defined by Canadian securities legislation. 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", "expects", "intends", "will", "would", and similar expressions are intended to identify forward-looking information.

The Company has based these statements on estimates and assumptions that we believed were reasonable when the statements were prepared. Actual results could be substantially different because of the risks and uncertainties associated with its business. Important risks that could cause such differences include, but are not limited to, the length of sales cycles, rapid technological advancement, competition, the availability of critical inputs, foreign exchange rate occurrences and doing business in foreign countries. Additionally, differences could arise because of events that are announced or completed after the date of this report, including mergers, acquisitions, other business combinations and divestitures.

Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Also, many of the factors are beyond the control of the Company. Accordingly, readers should not place undue reliance on forward-looking statements or information. The Company undertakes no obligation to reissue or update any forward-looking statements or information as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements and information herein are qualified by this cautionary statement. Actual results, performance or achievements could differ materially from those expressed in, or implied in, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that the Company will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this document are made as of the date of this document and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

**Basis of Presentation**

In this MD&A all references to: (a) "Q4 2020" are to the three month period ended March 31, 2020; (b) "Q4 2019" are to the three month period ended March 31, 2019; (c) "Fiscal 2020" are to the fiscal year ended March 31, 2020; and (d) "Fiscal 2019" are to the fiscal year ended March 31, 2019.

The annual audited consolidated financial statements and the accompanying notes for Fiscal 2020 and this MD&A were reviewed and approved by the Board on February 2, 2021.

**Going concern**

These 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. Future operations are dependent on the Company being able to raise capital through share issuance or alternative financing and continued support from the Company's existing creditors; the generation of profitability from operations and the ability to discharge obligations as they come due. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The Company had a net loss of $10,458,337 for the year ended March 31, 2020 (2019 - $3,104,301), working capital deficiency of $8,478,258 (2019 - $2,766,001) and has an accumulated deficit of $14,286,576 at March 31, 2020 (2019 – $3,828,239).

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The Company's operations could be negatively impacted by the regional and global outbreak of COVID-19, for an unknown period of time. Any quarantines, supply chain and labor shortages or other disruptions to the Company's operations, or those of their customers, did adversely impact the Company's revenues, ability to provide its products and services and operating results in fiscal 2020 and may continue to adversely impact the Company. In addition, a significant outbreak of epidemic, pandemic or contagious

diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in their services. The extent to which the coronavirus impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

In order to settle its existing liabilities and continue operations, the Company will require additional financing. The amount of capital required cannot be quantified until additional transactions are identified and completed. Failure to obtain such financing on a timely basis could cause the Company to not be able to pay its liabilities and/or reduce or terminate its operations. The Company has a number of debt obligations with interest and principal repayment requirements which the Company has failed to meet on a timely basis. As a result, the holders of these notes are able to demand repayment with little or no notice. As such, the debt and related warrant obligations have been classified as current liabilities on the statement of financial position.

Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to March 31, 2020 is uncertain. Until this time, management will have to raise funds by way of debt or equity issuances or improve profitability. The Company has raised additional debt and equity subsequent to year-end.

There can be no assurance that debt or equity financing will continue to be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on the terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects. These conditions create a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the financial statements. Such adjustments could be material.

**Description of the Business**

The Company was incorporated under the *Business Corporation Act* (British Columbia) on April 19, 2012. Through sales data analytics, the Company selects growth consumer electronics products for sale through their direct to consumer e-commerce platforms via global retail channels in multiple countries. The Company is domiciled in Canada and the address of its registered office is 301-1321 Blanshard Street, Victoria, BC V8W 0B6.

The Company is an *independent, data-driven consumer electronics company*; arguably the first of its kind in the world. It works with proprietary tools to identify precise gaps in the consumer electronics industry, and then proceeds to *build*, *market*, and *distribute* promising consumer electronics goods with *a strictly results-oriented approach*.

The Company produces consumer electronics in multiple product categories under multiple licensed brands, and considers the brand of the product to simply be an additional feature. For this reason, the

Company enters into multiple trademark brand licensing agreements, where it pairs a brand with a product line that is under development. Typical arrangements are based on royalty agreements, where it pays a royalty to the trademark holder for the authorization to produce, market, and sell products under the licensed trademark brand.

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

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

**Proposed Transactions**

On June 17, 2019, the Company entered into a non-binding letter of intent with CE Brands Inc. ("CE Brands"), whereby a wholly-owned subsidiary of CE Brands and the Company will amalgamate under the laws of British Columbia and continue as one corporation (the "Amalgamation"). Pursuant to the terms of the Amalgamation, CE Brands will acquire all issued and outstanding Common Shares of the Company.

On January 28, 2021, CE Brands and the Company entered into an Amended and Restated Amalgamation Agreement (the "Amalgamation Agreement") in connection with the Amalgamation. Pursuant to the Amalgamation Agreement:

a) The common shares of CE Brands will be consolidated on a 20.75-for-one basis; and

b) The Common Shares will be consolidated on a five-for-one basis;

c) The wholly-owned subsidiary of CE Brands and the Company will consummate the Amalgamation;

d) Pursuant to the Amalgamation, the holders of the Common Shares will exchange those Common Shares for post-consolidation common shares of CE Brands on a one-for-one basis.

Although the Amalgamation will result in the Company becoming a wholly-owned subsidiary of CE Brands (the "Resulting Issuer"), it will constitute a reverse takeover ("RTO") for accounting purposes as the former shareholders of the Company will own a substantial majority of the common shares of the Resulting Issuer and all members of the board of directors and management of the Resulting Issuer will be designees of the Company. Upon completion of the Amalgamation, the business of the Resulting Issuer will be the business of the Company. Completion of the Amalgamation is subject to various conditions, including, but not limited to, receipt of approval of the TSX Venture Exchange.

In addition, CE Brands announced that it has entered into an agreement for an offering to be completed prior to the Amalgamation, whereby CE Brands will conduct a public offering of unit subscription receipts (the "Subscription Receipts") via a prospectus. CE Brands intends to sell a maximum of 3,614,457 Subscription Receipts for gross proceeds of $15,000,000. CE Brands has granted the agents an option to offer up to an additional 542,169 Subscription Receipts, solely to cover over-allotments, if any. Each Subscription Receipt entitles the holder of the Subscription Receipt to receive, without payment of additional consideration and without any further action, one unit of the Resulting Issuer (a "Unit") upon the satisfaction of the conditions to the closing of the Amalgamation. Each Unit consists of one common share of the Resulting Issuer (a "Resulting Issuer Share") and one-half of one common share purchase warrant of the Resulting Issuer (a "Resulting Issuer Warrant"). Each such Resulting Issuer Warrant entitles the holder to purchase one additional Resulting Issuer Share, for a purchase of price of $7.50 per Resulting Issuer Share, for a period of 24 months following the date on which the Resulting Issuer Warrant was issued.

**Overall Performance**

Select financial highlights for Fiscal 2020, include the following:

- Total revenue increased 178%, or by $4.7 million, to $7.3 million in Fiscal 2020 compared to $2.6 million in Fiscal 2019. The increase was primarily due to the revenue contribution from the continued growth in sales in the Kodak Smarthome product line through an increased distribution network.
- Gross profit increased by 175% or $1.2 million to $1.8 million in Fiscal 2020 compared to $0.7 million in Fiscal 2019.
- Net loss increased by 237% to $10.5 million in Fiscal 2020 from $3.1 million in Fiscal 2019.

**Fourth Quarter**

During Q4 2020 the Company released the Moto360, however due to production delays associated with the global pandemic sales were below expectation. As a result the Company entered into a number of financing transactions to ensure sufficient liquidity to continue operating as a going concern.

**Summary of Quarterly Results**

Quarterly information is not provided because quarterly financial statements were not previously prepared.

**Selected Annual Information**

The following table summarizes certain financial data derived from the financial statements of the Company for Fiscal 2020, Fiscal 2019, and the financial year ended March 31, 2018:

| | Year ended March 31, 2020 | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|---|
| Total assets | 18,915,238 | 15,453,122 | 792,868 |
| Total liabilities | 14,672,718 | 8,669,239 | 1,147,004 |
| Total revenue | 7,299,077 | 2,625,761 | 1,278,080 |
| Net loss | (10,458,337) | (3,104,301) | (566,083) |
| Total comprehensive loss | (9,849,127) | (2,972,836) | (566,083) |
| Loss per share | (0.14) | (0.08) | (0.02) |

Increases in total assets, total liabilities and total revenue in Fiscal 2020 from Fiscal 2019 is primarily attributable to the organic growth in the sales of Kodak Smart Home products and the introduction of the new Moto360 product line. Increase in net loss for the year was primarily attributable to the events described in "Fourth Quarter" above.

**Results of Operations**

The following section provides an overview of the Company's financial performance during Fiscal 2020 compared to Fiscal 2019.

| | 2020 | 2019 | $ Change | % Change |
|---|---|---|---|---|
| Product sales | 7,168,018 | 2,199,676 | 4,968,342 | 226% |
| Digital services revenue | 105,863 | 403,661 | (297,798) | -74% |
| Contract revenue | 25,196 | 22,424 | 2,772 | 12% |
| **Total revenue** | **7,299,077** | **2,625,761** | **4,673,316** | **178%** |
| Cost of products and services | 5,455,576 | 1,954,230 | 3,501,346 | 179% |
| **Gross Profit** | **1,843,501** | **671,531** | **1,171,970** | **175%** |
| **Expenses** | | | | |
| Marketing | 2,369,738 | 584,315 | 1,785,423 | 306% |
| Selling and distribution | 778,663 | 292,914 | 485,749 | 166% |
| Wages and contractors | 3,009,488 | 1,442,977 | 1,566,511 | 109% |
| Royalties and license fees | 967,592 | 147,482 | 820,110 | 556% |
| Technology and related | 269,538 | 103,411 | 166,127 | 161% |
| Professional fees | 1,243,902 | 964,025 | 279,877 | 29% |
| General and administrative | 605,476 | 157,727 | 447,749 | 284% |
| Depreciation | 270,775 | 974 | 269,801 | 27700% |
| Amortization | 1,204,358 | 202,006 | 1,002,352 | 496% |
| Stock-based compensation | 694,627 | 66,280 | 628,347 | 948% |
| Gain on foreign exchange | (307,921) | (19,955) | (287,966) | 1443% |
| **Operating loss** | **(9,262,735)** | **(3,270,625)** | **(5,992,110)** | **183%** |
| Finance costs | (1,195,602) | (202,347) | (993,255) | 491% |
| Other income (expense) | - | (23,324) | - | -% |
| **Loss before income tax** | **(10,458,337)** | **(3,496,296)** | **(6,962,041)** | **199%** |
| Income tax expense (recovery) | - | (391,995) | 391,995 | -100% |
| **Net loss** | **(10,458,337)** | **(3,104,301)** | **(7,354,036)** | **237%** |

*Revenues*

Revenue increased 178%, or by $4.7 million, to $7.3 million in Fiscal 2020 compared to $2.6 million in Fiscal 2019.

The increase was due primarily to the organic growth in Kodak Smart Home products that was driven by acquiring additional market share in the USA, Canada, Europe and Mexico through distribution channels like Amazon and www.kodaksmarthome.com and distributors like Oricom, Westcoast and Ingram Micro.

In order to continue to meet customer demand and fulfill projected growing order backlog, the Company will need and continue to pursue ongoing financing to facilitate growth and working capital, primarily for purchasing of inventory and allowing a reasonable time for collection of accounts receivables. The Company is confident that production can be ramped up to meet expected demand.

*Cost of sales*

Cost of sales increased by 179%, or $3.5 million, to $5.5 million in Fiscal 2020 from $2.0 million in Fiscal 2019.

Cost of sales, as a percentage of sales were 75% for Fiscal 2020 from 74% for Fiscal 2019. The increase was due to slightly lower margins from the Moto360 product line.

*Gross profit*

Gross profit increased by 175%, or $1.2 million, with gross profit of $1.8 million in Fiscal 2020 compared to $671,531 in Fiscal 2019. Gross profit margin decreased slightly to 25% in Fiscal 2020 from 26% in Fiscal 2019. This decrease was due to the factors discussed above.

*Marketing*

Marketing expenses increased $1.8 million or 306% over the same period last year. This was due mostly to increases in advertising the new Moto360 product line, trade shows and travel costs.

*Selling and distribution*

Selling and distribution expenses increased $0.5 million or 166% over the same period last year. This was due primarily to increased Amazon marketplace fees associated with increased revenue.

*Wages and consulting*

Wages and consulting increased by 109% or $1.6 million to $3.0 million in Fiscal 2020 compared to $1.4 million in Fiscal 2019. This increase was due to additional staffing needed for the build out into the Smartwatch category and continued development of new product lines.

***Royalties and license fees***

Royalties and license fees increased $0.8 million or 556% over the same period last year. This was primarily due to increased sales of Kodak products as well as minimum guaranteed royalty payments on Kodak products and fees associated with selling the new Moto360 product line.

***Technology and related expenses***

Technology and related expenses increased by $0.2M or 161% to $0.3M in Fiscal 2020 from $0.1M in Fiscal 2019. This increase was due to incremental software, server and IT services fees incurred to accommodate the growth of the Company.

***Professional fees***

Professional fees increased 29% or $279,876 to $1.2 million in Fiscal 2020 compared to $1.0M in Fiscal 2019. This was due to an increase in activity associated with the Amalgamation and public offering of Subscription Receipts.

***General and administrative***

General and administrative expenses increased by 284%, or $0.4 million, to $0.6 million in Fiscal 2020 compared to $0.2 million in Fiscal 2019. The increase was principally due to the inclusion of the operating results from the 2019 acquisition of Cinatic Technology Limited ("Cinatic") and growth in the operations of the business in the year.

***Depreciation and amortization***

Depreciation and amortization expenses increased $0.3M and $1.0M period over period, respectively. The increase in depreciation expense was primarily the result of tooling and other equipment additions in Fiscal 2020. The increase in amortization expense was primarily the result of the Company recognizing a full year of amortization expense associated with intangible assets acquired as part of the Cinatic acquisition.

***Stock-based compensation***

Stock-based compensation expense increased 948% or $0.6M to $0.7M in Fiscal 2020 compared to $0.1M in Fiscal 2019. The increase in stock-based compensation expense was primarily due to increased staffing period over period.

***Foreign exchange***

Gain on foreign exchange increased 1,443% or $0.3M to $0.3M in Fiscal 2020 from $nil in Fiscal 2019. The increase in gain on foreign exchange was primarily attributable to increased sales year over year in markets outside of Canada.

*Operating loss*

Net loss before other items and taxes increased $6.0 million, to $9.3 million in Fiscal 2020 from $3.3 million in Fiscal 2019 due to the factors discussed above and including increased expenses from the Cinatic acquisition and an increased focus on marketing the Kodak and Motorola brands.

*Finance costs*

Finance costs increased 491% or $1.0 million to $1.2M in Fiscal 2020 from $0.2M in Fiscal 2019. The increase in Finance costs was primarily attributable to incremental accretion expense pertaining to the issuance of senior secured debentures in the year and incremental interest expense on warrants issued in Fiscal 2020.

**Liquidity and Capital Resources**

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

| | **March 31, 2020** | **March 31, 2019** |
|---|---|---|
| Cash | 521,060 | 743,566 |
| Total current assets | 6,065,500 | 2,845,165 |
| Total current liabilities | 14,543,758 | 5,611,166 |
| Working Capital | (8,478,258) | (2,766,001) |

As at March 31, 2020, certain debt amounts are classified as current debt obligations as the Company has failed to comply with its debt covenants by not making timely interest payments and as a result the lenders have the right to demand repayment with minimal or no notice.

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 the light of changes to economic conditions and the risk characteristics of 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 capital spending to manage its current and projected capital structure.

There can be no assurance that the Company will be able to obtain adequate financing in the future so that the terms of such financing will be favorable. If adequate financing is not available when required, the company may be unable to continue operating. The Company may seek such additional financing through

debt or equity offerings, but there can be no assurance that such financing will be available on the terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interest of the Company's shareholders and may result in dilution to the value of such interests.

***Cash Flows***

| | **March 31, 2020** | **March 31, 2019** |
|---|---|---|
| Cash flow from (used) in: | | |
| Operating activities | (7,874,317) | (2,067,771) |
| Investing activities | (833,680) | 159,196 |
| Financing activities | 8,723,124 | 2,654,572 |
| Effect of change in foreign exchange rates on cash | (237,633) | (27,812) |
| Net increase (decrease) in cash | (222,506) | 718,185 |
| Cash, beginning of period | 743,566 | 25,381 |
| Cash, end of period | 521,060 | 743,566 |

The consolidated financial statements have been prepared using IFRS that are applicable to a going concern, which contemplates the realization of asset and settlement of liabilities in the normal course of business for the foreseeable future. The Company has experienced operating losses from operations as a result of sales, marketing and business development. Although the Company is in a position where sales channels have grown and more opportunity exists, there is no assurance those opportunities will materialize and it may require ongoing financing. Management cannot provide any assurance that the Company will ultimately achieve profitable operations, become cash flow positive or will be able to raise additional debt and/or equity capital.

***Operating Activities***

During Fiscal 2020, cash used in operating activities was $7,874,317, compared to $2,067,771 for Fiscal 2019. The increase is due primarily to increased expenditures pertaining to marketing, selling and distribution and wages and contractor expenses incurred with the new Moto360 product line.

***Investing Activities***

During Fiscal 2020, cash used in investing activities was $833,680, compared to cash from investing activities of $159,196 in Fiscal 2019. The change year over year was primarily a result of property, plant and equipment and intangibles additions in Fiscal 2020.

*Financing Activities*

During Fiscal 2020, cash from financing activities was $8,723,124, compared to $2,654,572 in Fiscal 2019. The change year over year was primarily a result of senior secured debenture issuances and warrant issuances in Fiscal 2020.

*Contractual obligations*

The Company has entered into key licensing contracts on its products. Under these arrangements, the Company is required to pay sales based royalties of 5%. The Company is required to make future minimum royalty payments, excluding any optional renewal periods.

| | Less than 1 year | 1-3 years | 3-5 years | Total |
|---|---|---|---|---|
| Royalty payments | 1,207,771 | 4,047,582 | 4,357,019 | 9,612,372 |

**Off-Balance Sheet Arrangements**

As at the date of this MD&A, the Company has not entered into any off-balance sheet arrangements.

**Transactions Between Related Parties**

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

| | 2020 | 2019 |
|---|---|---|
| Due to current/former shareholders and officers | 365,705 | 401,167 |
| Due from Karma Ventures Limited | (66,970) | (66,971) |
| | 298,735 | 334,196 |

Karma Ventures Limited is related by common ownership. In 2018, the Company advanced funds to assist in business operations. The loan is non-interest bearing, unsecured and has no fixed terms of repayment. Subsequent to Fiscal 2020, the full receivable balance was forgiven.

Subsequent to the Fiscal 2020, the Company received loans from a group of founding shareholders for total proceeds of $874,785. The loans mature on August 31, 2022, bear an interest rate of 4.5% per annum and may be converted into 1,166,380 shares of the Company's equity share capital. As part of this transaction, the Company was released from its obligation for a loan from a director of the Company for $273,000.

**Outstanding Share Data**

At March 31, 2020, the following equity or voting securities, and securities are convertible into, or exercisable or exchangeable for, voting or equity securities, of the Company are outstanding:

- 77,394,777 Common Shares;
- there are 11,586,700 warrants to purchase an additional Common Share;
- there are 7,004,994 options to purchase an additional Common Share; and
- There is $7,631,004 in total loan and warrant obligations as of March 31, 2020. This consists of convertible debentures, notes and senior secured debentures.

**Financial Instruments and Other Instruments**

The Company classifies all financial instruments as financial assets, financial liabilities or equity instruments at fair value through profit and loss or at amortized cost ("Amortized Cost"). The Company has classified cash, accounts receivable and amounts due from related parties as financial assets carried at Amortized Cost. The Company has classified operating line of credit, accounts payable and accrued liabilities, due to related parties, promissory notes, long-term debt and convertible debentures as financial liabilities carried at Amortized Cost. The Company has classified warrant obligations as financial liabilities measured at fair value through profit and loss at the end of each reporting period.

***Financial Risk Management***

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

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company provides credit to its customers in the normal course of its operations, the maximum exposure to credit risk at March 31, 2020, March 31, 2019, and March 31, 2018, is as follows:

| | Carrying Amount | Carrying Amount | Carrying Amount |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Cash | 521,060 | 743,566 | 25,381 |
| Accounts receivable | 879,114 | 791,242 | 197,921 |
| Due from related parties | - | - | 442,959 |
| Total | 1,400,174 | 1,534,808 | 666,261 |

There is no concentration of credit risk with respect to accounts receivables, as the Company has a large number of customers, internationally dispersed. The Company considers accounts greater than 60 days old overdue. Accounts receivable includes $42,348 and $142,865 of accounts that are greater than 60 days old as at March 31, 2020, and March 31, 2019, respectively. The Company has recognized an expected credit loss of $11,337 on the accounts receivable at March 31, 2020, and March 31, 2019.

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.

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

Market risk

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

***Interest rate risk*** Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on the operating line of credit and long-term debt that bear interest at variable rates of interest. A 1% increase in the interest rate would have a $76,310 increase on the net loss and accumulated deficit of the Company.

***Foreign exchange risk*** The Company's financial performance is closely linked to foreign exchange currency. 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. The Company currently has not obtained any hedging instruments to mitigate the potential effects of price fluctuations. A 1% increase in the exchange rate would have a $34,482 increase on the net loss and accumulated deficit of the Company.

***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:

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

*Key Employees* - The success of the Company is largely dependent on the performance of its key employees and directors. The failure to retain key employees and directors and to attract and retain additional key employees with the necessary skills could have a material adverse impact upon the Company's growth and profitability. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the departure of any of the members of the Company's executive team or key directors could have a material adverse effect on the Company's business, results of operations and financial condition.

*Capitalization* - 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 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. Failure to obtain such additional financing could result in the curtailment of operations, liquidation of assets, seeking additional capital on less favorable terms and/or other remedial measures.

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

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

*History of Operating Losses* - The Company has an accumulated deficit through March 31, 2019. 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.

*Product Defect* – 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 defect can cause significant risk.

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

*Seasonality* – The Company believes its transaction-based revenues will begin to represent an increasing proportion of its overall revenue mix over time, and expects seasonality of its quarterly results to vary. The Company may experience seasonal fluctuations for a variety of reasons, many of which are outside the Company's control.

*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.

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

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

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

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

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

**Critical Accounting Estimates and Assumptions**

The preparation of the Company's consolidated financial statements, in accordance with IFRS, requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Significant estimates, judgments and assumptions in these financial statements are discussed below. Actual results may differ from the estimates made by management.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

The following are the significant judgments, estimates and assumptions that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these consolidated financial statements:

*(a) Functional currency*

Management considers the functional currency applied to each entity to be the currency that most faithfully represent the economic effect of the underlying transactions, events and conditions of that entity. This determination factors in the currency in which the entities measure their performance and report results,

as well as the currency in which they receive equity injections from investors and obtain credit facilities. This determination also considers the competitive environment in which the entities operate.

*(b) Going concern*

Determining if the Corporation has the ability to continue as a going concern is dependent on its ability to raise additional financing and to achieve profitable operations. Certain judgments are made when determining if the Corporation will be able to continue as a going concern.

*(c) CGU determination*

A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Determining the impact of impairment requires significant judgement in identifying which assets or groups of assets are CGUs of the Company.

*(d) Reportable segments*

In fiscal 2019 the Company had a more decentralized accounting and reporting structure and in fiscal 2020 due to the change in the Company's enterprise resource planning system the chief operating decision maker reviews financial information at a consolidated level and uses the consolidated results to assess and allocate resources. Accordingly, management has concluded that there is only one reportable segment.

*(e) Financial instrument valuations*

The financial liabilities that the Company has entered require management to make estimates for significant inputs into the formulae and methodologies employed, as well and making judgements regarding the likelihood of future events.

<u>Key sources of estimation uncertainty</u>

The following are the key estimates and related assumptions concerning the sources of estimation uncertainty that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities:

*(a) Deferred taxes*

Deferred tax assets and liabilities are recognized for temporary differences and for tax loss carry forwards. The valuation of deferred tax assets is based on management's estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carry forwards may be utilized. Income taxes comprise current and deferred tax. Current tax represents the expected tax payable on taxable income for the year using enacted or substantively enacted tax rates at the end of the reporting year, and any adjustments to tax payable related to prior years. Deferred tax financial reporting purposes and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized to the extent that realization is considered probable. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. Management considers projected future taxable income, uncertainties related to the industry in which the Company operates and income tax planning strategies in making this assessment.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

*(b) Estimate of useful lives of intangible assets*

Useful lives over which intangible assets are depreciated or amortized are based on management's judgment of future use and performance. Expected useful lives are reviewed annually for any change to estimates and assumptions.

*(c) Goodwill valuation*

The Company uses estimates in determining the recoverable amount of its cash-generating unit ("CGU") in performing annual impairment testing of goodwill. The determination of the recoverable amount for the purpose of impairment testing requires the use of significant estimates. For the fiscal 2020, the recoverable amount was determined using a fair value less cost of disposal ("FVLCD") methodology using a market approach. Specifically, using the share prices for the Company's equity raises in the months preceding fiscal year end to calculate the market value of the CGU less cost of disposal. The FVLCD calculation relies on arm's length transactions between unrelated , knowledgeable and willing parties that are under no compulsion to act, and therefore would qualify as Level 2 inputs. No reasonably possible change of any of the key assumptions would result in a carrying amount higher than the recoverable amount.

*(d) Stock-based compensation*

The amounts recognized relating to the fair value of stock options and warrants are based on estimates of future volatility in the Company's share prices, the expected lives of options and warrants, the risk-free interest rate, and other relevant assumptions. Volatility is estimated based on the average price volatility of common shares of a comparative group of public companies over the preceding period equaling the expected lives of the Company's options.

*(e) Compound financial instruments*

Certain financial instruments are comprised of a liability and an equity component. The determination of the amount allocated to the liability and equity components requires management to estimate various components and characteristics of present value calculations used in determining the fair value of the instrument, including the market interest rates of non-convertible debentures.

*(f) Business combinations*

The purchase price on business combinations is allocated to the fair value of the assets and liabilities acquired. The determination of fair values requires management to estimate the fair value of intangibles acquired based on estimated future cash flows.

**Changes in Accounting Policies**

As at the date of this MD&A, there were no changes to accounting policies.

**Subsequent Events**

Refer to eBuyNow eCommerce Ltd. Consolidated Financial Statements as at March 31, 2020, and March 31, 2019, and for Fiscal 2020 and Fiscal 2019 for discussion pertaining to subsequent events.

**EBUYNOW ECOMMERCE LTD.**

**MANAGEMENT'S DISCUSSION & ANALYSIS**
**FOR THE YEAR ENDED MARCH 31, 2019**

## Introduction

The following management's discussion and analysis ("**MD&A**") of the financial condition and results of the operations of eBuyNow eCommerce Ltd. (the "**Company**") constitutes management's review of the factors that affected the Company's financial and operating performance for the years ended March 31, 2019, and March 31, 2020. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited financial statements of the Company for the years ended March 31, 2019, March 31, 2018, and March 31, 2017 together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The audited financial statements of the Company for the years ended March 31, 2019, March 31, 2018, and March 31, 2017 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, of the Company (the "**Board**") considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the class "A" common voting shares in the capital of the Company (the "**Common Shares**"); or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity. The date of this MD&A is January 31, 2021.

All dollar amounts in this MD&A are in Canadian dollars unless otherwise indicated.

## Forward-Looking Information

This MD&A contains "forward-looking information", as that term is defined by Canadian securities legislation. 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", "expects", "intends", "will", "would", and similar expressions are intended to identify forward-looking information.

The Company has based these statements on estimates and assumptions that we believed were reasonable when the statements were prepared. Actual results could be substantially different because of the risks and uncertainties associated with its business. Important risks that could cause such differences include, but are not limited to, the length of sales cycles, rapid technological advancement, competition, the availability of critical inputs, foreign exchange rate occurrences and doing business in foreign countries. Additionally, differences could arise because of events that are announced or completed after the date of this report, including mergers, acquisitions, other business combinations and divestitures.

Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Also, many of the factors are beyond the control of the Company. Accordingly, readers should not place undue reliance on forward-looking statements or information. The Company undertakes no obligation to reissue or update any forward-looking statements or information as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements and information herein are qualified by this cautionary statement. Actual results, performance or achievements could differ materially from those expressed in, or implied in, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that the Company will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this document are made as of the date of this document and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

**Basis of Presentation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These are the Company's first IFRS financial statements and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. An explanation of how the transition to IFRS has affected the reported equity, comprehensive income and cash flows of the Company is provided in note 6 of the Audited Financial Statements.

In this MD&A all references to: (a) "Q4 2019" are to the three month period ended March 31, 2019; (b) "Q4 2018" are to the three month period ended March 31, 2018; (c) "Fiscal 2019" are to the fiscal year ended March 31, 2019; and (d) "Fiscal 2018" are to the fiscal year ended March 31, 2018.

On January 1st, 2019, eBuyNow eCommerce ltd. acquired all of the shares of Cinatic Technologies Ltd. (the "Cinatic Acquisition"). The annual audited consolidated financial statements of the Company for Fiscal 2019 include the results of Cinatic Technologies Ltd. In this MD&A, such acquisitions are referred to as the "2019 Acquisitions".

The annual audited consolidated financial statements and the accompanying notes for Fiscal 2019 and this MD&A were reviewed and approved by the Board on January 31, 2021.

**Going concern**

The consolidated financial statements were prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Future operations are dependent on the Company being able to raise capital through share issuance or alternative financing; the generation of profitability from operations and the ability to discharge obligations as they come due.

Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The Company had a net loss of $3,104,301 for the year ended March 31, 2019 (2018 - $566,083), working capital deficiency of $2,766,001 (2018 - $127,889) and has an accumulated deficit of $3,828,239 at March 31, 2029 (2018 – $354,336).

In order to settle its existing liabilities and continue operations, the Company will require additional financing. The amount of capital required cannot be quantified until additional transactions are identified and completed. Failure to obtain such financing on a timely basis could cause the Company to not be able to pay its liabilities and/or reduce or terminate its operations. There can be no assurance that debt or equity financing will continue to be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on the terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects. These conditions create a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the financial statements. Such adjustments could be material.

**Description of the Business**

The Company (together with its subsidiaries, the "Group") was incorporated under the *Business Corporation Act* (British Columbia) on April 19, 2012. Through sales data analytics, the Company selects growth consumer electronics products for sale through their direct to consumer e-commerce platforms via global retail channels in multiple countries. The Company is domiciled in Canada and the address of its registered office is 301-1321 Blanshard Street, Victoria, BC V8W 0B6.

The Company is an *independent, data-driven consumer electronics company*; arguably the first of its kind in the world. It works with proprietary tools to identify precise gaps in the consumer electronics industry, and then proceeds to *build*, *market*, and *distribute* promising consumer electronics goods with *a strictly results-oriented approach*.

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

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

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

**Overall Performance**

Select financial highlights for Fiscal 2019, include the following:

- Total Revenue increased 105%, or by $1.3 million, to $2.6 million in Fiscal 2019 compared to $1.3 million in Fiscal 2018. The increase was primarily due to the revenue contribution from the launch of the Kodak Branded Smart Home products and the Cinatic acquisition.
- Gross profit decreased by 25% or $218,801 to $671,531 in Fiscal 2019 compared to $890,332 in Fiscal 2018. This decrease was primarily due to the increase in cost of products from the launch of the Kodak Smarthome product line.
- Net loss increased by 448% or $2.5 million to $3.1 million in Fiscal 2019 from $566,083 in Fiscal 2018 primarily as a result of increased cost of sales and increased professional fees.
- In Fiscal 2019, the company successfully completed the acquisition of Cinatic Technologies.

**Selected Annual Information**

The following table summarizes certain financial data derived from the financial statements of the Company for the financial years ended March 31, 2019 and March 31, 2018:

| | **Year ended March 31, 2019** | **Year ended March 31, 2018** |
|---|---|---|
| Total assets | 15,453,122 | 792,868 |
| Total non-current financial liabilities | 2,808,645 | 288,800 |
| Total liabilities | 8,669,239 | 1,147,004 |
| Total revenue | 2,625,761 | 1,278,080 |
| Net loss | (3,104,301) | (566,083) |
| Net income (loss) per share | | |
| Basic | (0.08) | (0.02) |
| Diluted | (0.08) | (0.02) |

The increase in total assets year over year was primarily attributable to the acquisition of Cinatic Technologies. The increase in non-current financial liabilities was primarily attributable to the issuance of convertible debt in the year. The increase in total liabilities was primarily attributable to the acquisition of Cinatic and the issuance of convertible debt.

**Summary of Quarterly Results**

Quarterly information is not provided because quarterly financial statements were not previously prepared.

**Results of Operations**

The following section provides an overview of the financial performance of the Company during Fiscal 2019 compared to Fiscal 2018.

| | Fiscal 2019 | Fiscal 2018 | $ Change | % Change |
|---|---|---|---|---|
| **Consolidated statements of operations and comprehensive income (loss):** | | | | |
| **Revenue** | **2,625,761** | **1,278,080** | **1,347,681** | **105%** |
| Cost of Sales | 1,954,230 | 387,748 | 1,566,482 | 404% |
| **Gross Profit** | **671,531** | **890,332** | **(218,801)** | **-25%** |
| **Expenses** | | | | |
| Wages and consulting | 1,442,977 | 1,011,628 | 431,349 | 43% |
| Marketing and promotion | 584,315 | 103,095 | 481,220 | 467% |
| Bank charges and interest | 79,258 | 55,999 | 23,259 | 42% |
| General and administrative | 619,744 | 164,456 | 455,288 | 277% |
| Professional fees | 957,951 | 60,517 | 897,434 | 1483% |
| Stock Based Compensation | 66,280 | 0 | 66,280 | *nmf* |
| Bad debt | 11,337 | 53,757 | (42,420) | -79% |
| Amortization | 202,980 | 1,926 | 201,054 | 10439% |
| **Total Expenses** | **3,964,842** | **1,451,378** | **2,513,464** | **173%** |
| Net loss before other items | (3,293,311) | (561,046) | (2,732,265) | *487%* |
| Gain (loss) on foreign exchange | 19,955 | (36,856) | 56,811 | *-154%* |
| Loss on disposal of assets | (23,324) | 0 | (23,324) | *nmf* |
| Interest and accretion | (199,616) | 0 | (199,616) | *nmf* |
| Income tax expense (recovery) | (391,995) | (31,819) | (360,176) | *1132%* |
| **Net Loss** | **(3,104,301)** | **(566,083)** | **(2,538,218)** | *448%* |
| Gain on translation of foreign operations | 131,465 | 0 | 131,465 | *nmf* |
| **Comprehensive Loss** | **(2,972,836)** | **(566,083)** | **(2,406,753)** | *425%* |

*Revenues*

Revenue increased 105%, or by $1.3 million, to $2.6 million in Fiscal 2019 compared to $1.3 million in Fiscal 2018.

The increase was due to (i) global launch of the Kodak Smart Home line of home monitoring products allowing growth in sales and (ii) revenue contribution from the 2019 Acquisition of Cinatic Technologies for $8.6 million plus the assumption of $1.5 million in debt and issuance of a $250,000 promissory note to Cinatic Management. The organic growth in the Kodak Smart Home segment was driven by product launches in the USA, Canada, Europe and Mexico through distribution channels like Amazon and www.kodaksmarthome.com.

In order to continue to meet customer demand and fulfill projected growing order backlog, the Company will need and continue to pursue ongoing financing to facilitate growth and working capital, primarily for purchasing of inventory and allowing a reasonable time for collection of accounts receivables. The Company is confident that production can be ramped up to meet expected demand.

*Cost of sales*

Cost of sales increased by 404%, or $1.6 million, to $2.0 million in Fiscal 2019 from $387,748 million in Fiscal 2018.

Cost of sales, as a percentage of sales were 74% for Fiscal 2019 from 30% for Fiscal 2018. The increase was due to incremental growth in sales and shift from a focus on consignment sales and services to the sales of the Kodak Smarthome product line.

*Gross profit*

Gross profit decreased by 25%, or $218,801, to $671,531 in Fiscal 2019 compared to $890,332 in Fiscal 2018 due primarily to the increase in cost of sales associated with the Kodak Smarthome product line. Gross profit margin decreased to 26% in Fiscal 2019 from 70% in Fiscal 2018. This decrease was due to the factors discussed above.

*Wages and consulting*

Wages and consulting increased by 43% or $431,349 to $1,442,977 in Fiscal 2019 compared to $1,011,628 in Fiscal 2018. This increase was due to additional hires needed for the addition of sales channels and expansion into new territories.

*Professional Fees*

Professional fees increased 1,483% or $897,434 to $957,951 in Fiscal 2019 compared to $60,517 in Fiscal 2018. This was due to an increase in Corporate Advisory Service fees.

*General and administrative*

General and administrative expenses increased by 277%, or $455,288, to $619,744 in Fiscal 2019 compared to $164,456 in Fiscal 2018. The increase was principally due in part to the inclusion of the operating results from the 2019 acquisition of Cinatic. Another contributing factor in the increase in general and

administrative expenses was due to the significant investments the Company made in information technology infrastructure as the Company built out teams in Hong Kong and Vietnam.

***Marketing and Promotions***

Marketing and promotion expenses increased $481,220 or 467% over the same period last year. This was due mostly to increases in advertising, trade shows and travel costs.

***Net loss before other items***

Net loss before other items and taxes increased $2.7 million, to $3.3 million in Fiscal 2019 from $0.6 million in Fiscal 2018 due to the factors discussed above and including increased general and administrative expenses from the Cinatic acquisition. The Company saw a decrease in consulting expenses pertaining to research and development due to this acquisition.

**Liquidity and Capital Resources**

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

| | **March 31, 2019** | **March 31, 2018** |
|---|---:|---:|
| Cash | 743,566 | 25,381 |
| Total current assets | 2,845,165 | 790,315 |
| Total current liabilities | 5,611,166 | 918,204 |
| Working Capital | (2,766,001) | (127,889) |

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 the light of changes to economic conditions and the risk characteristics of 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 capital spending to manage its current and projected capital structure.

EBN has managed the decrease in working capital through various issuances of debt and equity instruments subsequent to year end which have provided the Company with the liquidity and capital resources required to sustain operations of the business. For additional disclosure, refer to the subsequent events note of the consolidated financial statements for the years ended March 31, 2019, March 31, 2018 and March 31, 2017.

There can be no assurance that the Company will be able to obtain adequate financing in the future so that the terms of such financing will be favorable. If adequate financing is not available when required, the company may be unable to continue operating. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on the terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interest of the Company's shareholders and may result in dilution to the value of such interests.

The consolidated financial statements have been prepared using IFRS that are applicable to a going concern, which contemplates the realization of asset and settlement of liabilities in the normal course of business for the foreseeable future. The Company has experienced operating losses from operations as a result of sales, marketing and business development. Although the Company is in a position where sales channels have grown and more opportunity exists, there is no assurance those opportunities will materialize and it may require ongoing financing. Management cannot provide any assurance that the Company will ultimately achieve profitable operations, become cash flow positive or will be able to raise additional debt and/or equity capital.

***Cash Flows***

| | **March 31, 2019** | **March 31, 2018** |
|---|---|---|
| Cash flow from (used) in: | | |
| Operating activities | (2,067,771) | (392,831) |
| Investing activities | 159,196 | 0 |
| Financing activities | 2,654,572 | 408,555 |
| | | |
| Effect of change in foreign exchange rates on cash | (27,812) | 0 |
| Net increase (decrease) in cash | 718,185 | 15,724 |
| Cash, beginning of period | 25,381 | 9,657 |
| Cash, end of period | 743,566 | 25,381 |

***Operating Activities***

During Fiscal 2019, cash used in operating activities was $2,067,771, compared to $392,831 for Fiscal 2018. The increase is due primarily to increased expenditures pertaining to marketing, selling and distribution and wages and contractor expenses incurred with the new Kodak Smart Home product line.

*Investing Activities*

During Fiscal 2019, cash used in investing activities was $159,196, compared to no cash from or used in Fiscal 2018. The change year over year was primarily due to cash acquired on the Cinatic acquisition.

*Financing Activities*

During Fiscal 2019, cash from financing activities was $2,654,572, compared to $408,555 in Fiscal 2018. The change year over year was primarily a result of convertible debt issued in the year, promissory notes issued in the year and deposits received on share issuances, offset in part by repayments of the Company's operating line and repayments of amounts due to related parties.

**Contractual Obligations**

The Company has entered into key licensing contracts on its products. Under these arrangements, the Company is required to pay sales based royalties of 5%. The Company is required to make future minimum royalty payments, excluding any optional renewal periods.

**Off-Balance Sheet Arrangements**

As at the date of this MD&A, the Company has not entered into any off-balance sheet arrangements.

**Outstanding Share Data**

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

- 62,987,500 class "A" common voting shares (the "**eBuyNow Shares**");
- there are 900,000 options to purchase eBuyNow Shares; and
- $3,385,000 aggregate principal amount of notes that are convertible into up to 8,033,334 eBuyNow Shares.

*Private Placements - Convertible Notes*

Between March 31 2018 and March 31, 2019 the company had two issues of convertible notes of $1,895,000 and $1,490,000 for a total of $3,385,000 in convertible notes. These notes convert to a total of 8,033,334 shares and forcibly convert at the timing of the discussed RTO transaction or require repayment of principle if no liquidity event occurs on or before the second anniversary of the notes issuance.

The $1,895,000 and $1,490,000 of notes included 879,997 and 794,000 warrants, respectively, that allow the holder to acquire 879,997 and 794,000 additional shares, respectively, at $0.375 and $0.50 per share, respectively, if the Company does not complete a public listing prior to maturity of the note.

No fees were paid in connection with private placements for fiscal 2019.

*Business Combinations*

During the year ended March 31, 2019, the company completed a number of acquisitions of related parties for nominal consideration, including EBuyNow LLC, EBuyNow ECommerce Ltd., EBuyNow ECommerce BV, EBuyNow ECommerce S. DE R.L. DE C.V., eBN eCommerce Private Limited, EBN Holdings Limited and PerimeterSafe Holdings Limited and its wholly-owned subsidiary PerimeterSafe Home Monitoring Limited.

The acquisitions of PerimeterSafe and EBuyNow ECommerce S. DE R.L. DE C.V. were considered common control acquisitions due to common ownership and are therefore scoped out of IFRS. At the acquisition date, the entities had no assets and net current liabilities of $369,602. The remaining acquisitions had no assets and net current liabilities of $38,577, which were recorded in general and administrative expenses in the consolidated statement of operations.

On January 31, 2019, the Group acquired 100% of the ordinary shares of Cinatic Technology Limited, together with its wholly-owned subsidiaries Cinatic Shenzhen, Premielink Company Limited and Freetalk Connect Ltd. The purchase price was $10,360,313 which was satisfied through the issuance of 22,987,500 common shares of the Company valued at $8,620,313, $250,000 in promissory notes and $1,490,000 in convertible debentures.

**Financial Instruments and Other Instruments**

The Company classifies all financial instruments as financial assets, financial liabilities or equity instruments at fair value through profit and loss or at amortized cost ("Amortized Cost"). The Company has classified cash, accounts receivable and amounts due from related parties as financial assets carried at Amortized Cost. The Company has classified operating line of credit, accounts payable and accrued liabilities, due to related parties, promissory notes, long-term debt and convertible debentures as financial liabilities carried at Amortized Cost. The Company has classified warrant obligations as financial liabilities measured at fair value through profit and loss at the end of each reporting period.

*Financial Risk Management*

EBN 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 Directors have the overall responsibility for the establishment and oversight of EBN's risk management framework, management has the responsibility to administer and monitor these risks.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company provides credit to customers in the normal course of operations, the maximum exposure to credit risk at March 31, 2019 and March 31, 2018, is as follows:

| | Carrying Amount | Carrying Amount |
|---|---|---|
| | **2019** | **2018** |
| Cash | 743,566 | 25,381 |
| Accounts receivable | 791,242 | 197,921 |
| Due from related parties | 0 | 442,959 |
| Total | 1,534,808 | 666,261 |

There is no concentration of credit risk with respect to accounts receivables, as the Group has a large number of customers, internationally dispersed.

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.

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

Market risk

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

***Interest rate risk*** Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on the operating line of credit and long-term debt that bear interest at variable rates of interest. A 1% change in the interest rate would have a $8,900 impact on the net loss of the Company. The Company had no interest rate swaps or financial contracts in place as at or during the years ended March 31, 2019, March 31, 2018, and March 31, 2017.

***Foreign exchange risk*** The Company's financial performance is closely linked to foreign exchange currency. 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. The Company currently has not obtained any hedging instruments to mitigate the potential effects of price fluctuations. A 1% change in the exchange rate would have a $41,194 impact on the net loss of the Company.

***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:

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

*Key Employees* - The success of the Company is largely dependent on the performance of its key employees and directors. The failure to retain key employees and directors and to attract and retain additional key employees with the necessary skills could have a material adverse impact upon the Company's growth and profitability. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the departure of any of the members of the Company's executive team or key directors could have a material adverse effect on the Company's business, results of operations and financial condition.

*Capitalization* - 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 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. Failure to obtain such additional financing could result in the curtailment of operations, liquidation of assets, seeking additional capital on less favorable terms and/or other remedial measures.

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

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

*History of Operating Losses* - The Company has an accumulated deficit through March 31, 2019. 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.

*Product Defect* – 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 defect can cause significant risk.

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

*Seasonality* – The Company believes its transaction-based revenues will begin to represent an increasing proportion of its overall revenue mix over time, and expects seasonality of its quarterly results to vary. The Company may experience seasonal fluctuations for a variety of reasons, many of which are outside the Company's control.

*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.

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

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

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

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

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

**Critical Accounting Estimates and Assumptions**

The preparation of the Group's consolidated financial statements, in accordance with IFRS, requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Significant estimates, judgments and assumptions in these financial statements are discussed below. Actual results may differ from the estimates made by management.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

The following are the significant judgments, estimates and assumptions that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in these consolidated financial statements:

(a) Functional currency

Management considers the functional currency applied to each entity to be the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions of that entity. This determination factors in the currency in which the entities measure their performance and report results, as well as the currency in which they receive equity injections from investors and obtain credit facilities. This determination also considers the competitive environment in which the entities operate.

(b) Going concern

Determining if the Corporation has the ability to continue as a going concern is dependent on its ability to raise additional financing and to achieve profitable operations. Certain judgments are made when determining if the Corporation will be able to continue as a going concern.

(c) Revenue Recognition

A significant portion of the Company's revenue is generated from large and complex customer contracts. Management's judgment is applied regarding, among other aspects, the evaluation of multiple components within these arrangements to assess whether deliverables can be recognized separately for revenue recognition purposes. This includes whether software installation and implementation services have standalone value to the customer. In evaluating whether software is separable from services, the Company's judgments include, among other things, assessing the nature and complexity of the services, whether other vendors could provide the services, and the linkage of payments of software to delivery of services

Key sources of estimation uncertainty

The following are the key estimates and related assumptions concerning the sources of estimation uncertainty that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities:

(a) Revenue Recognition

In its determination of the amount and timing of revenue to be recognized, management relies on assumptions and estimates supporting its revenue recognition policy. Estimates of the percentage-of-completion for customer projects are based upon current actual and forecasted information and contractual terms.

(b) Lease liability

The amount recognized as a lease liability and the corresponding right of use assets is dependent on management’s assessment of the incremental borrowing rate.

(c) Deferred taxes

Deferred tax assets and liabilities are recognized for temporary differences and for tax loss carryforwards. The valuation of deferred tax assets is based on management's estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carryforwards may be utilized. Income taxes comprise current and deferred tax. Current tax represents the expected tax payable on taxable income for the year using enacted or substantively enacted tax rates at the end of the reporting year, and any adjustments to tax payable related to prior years. Deferred tax financial reporting purposes and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized to the extent that realization is considered probable. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. Management considers projected future taxable income, uncertainties related to the industry in which the Group operates and income tax planning strategies in making this assessment. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(d) Estimate of useful lives of intangible assets

Useful lives over which intangible assets are depreciated or amortized are based on management's judgment of future use and performance. Expected useful lives are reviewed annually for any change to estimates and assumptions.

(e) Goodwill valuation

The Group uses estimates in determining the recoverable amount of our cash-generating unit ("CGU") in performing annual impairment testing of goodwill. The determination of the recoverable amount for the purpose of impairment testing requires the use of significant estimates, such as future cash flows, terminal growth rate and discount rate. Value in use for impairment tests is estimated by discounting estimated future cash flows for periods up to five years to their present value. The future cash flows are based on our estimates of expected future operating results of the cash generating unit ("CGU") after considering economic conditions and a general outlook for the CGU's industry. Discount rates consider market rates of return, debt to equity ratios and certain risk premiums, among other things. The terminal value is the value attributed to the CGU's operations beyond the projected time period of the cash flows using a perpetuity rate based on expected economic conditions and a general outlook for the industry. Certain assumptions are made when deriving expected future cash flows, which may include assumptions pertaining to discount and terminal growth rates. These assumptions may differ or change quickly depending on economic conditions or other events. It is therefore possible that future changes in assumptions may negatively affect future valuations of the CGU and goodwill, which could result in impairment losses.

(f) Stock-based compensation

The amounts recognized relating to the fair value of stock options and warrants are based on estimates of future volatility in the Company's share prices, the expected lives of options and warrants, the risk-free interest rate, and other relevant assumptions. Volatility is estimated based on the average price volatility of common shares of a comparative group of public companies over the preceding period equaling the expected lives of the Company's options.

(g) Compound financial instruments

Certain financial instruments are comprised of a liability and an equity component. The determination of the amount allocated to the liability and equity components requires management to estimate various components and characteristics of present value calculations used in determining the fair value of the instrument, including the market interest rates of non-convertible debentures.

(h) Business combinations

The purchase price on business combinations is allocated to the fair value of the assets and liabilities acquired. The determination of fair values requires management to estimate the fair value of intangibles acquired based on estimated future cash flows.

**Changes in Accounting Policies**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These are the Company's first IFRS financial statements and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

The accounting policies set out in note 2 of the Consolidated Financial Statements for the years ended March 31, 2019, 2018 and 2017 have been applied in preparing the consolidated financial statements for the years ended March 31, 2019, 2018 and 2017 and in the preparation of an opening IFRS statement of financial position at April 1, 2016.

In preparing its opening IFRS statement of financial position, there were no adjustments to the Group's statement of financial position, statements of loss and comprehensive loss and statements of cash flows to the amounts reported previously in financial statements, and no exemptions or differences in estimates were used.

**Related Party Transactions**

The amounts due to/from related parties in the consolidated financial statements for the years ended March 31, 2019, 2018 and 2017 include amounts due to/from shareholders, directors and a company controlled by directors and are non-interest bearing, unsecured and have no fixed terms of repayment.

**Proposed Transactions**

On June 17, 2019, the Company entered into a non-binding letter of intent with CE Brands Inc. ("CE Brands"), whereby a wholly-owned subsidiary of CE Brands and the Company will amalgamate under the laws of British Columbia and continue as one corporation (the "Amalgamation"). Pursuant to the terms of the Amalgamation, CE Brands will acquire all issued and outstanding Common Shares of the Company.

On January 28, 2021, CE Brands and the Company entered into an Amended and Restated Amalgamation Agreement (the "Amalgamation Agreement") in connection with the Amalgamation. Pursuant to the Amalgamation Agreement:

A. The common shares of CE Brands will be consolidated on a 20.75-for-one basis; and
B. The Common Shares will be consolidated on a five-for-one basis;
C. The wholly-owned subsidiary of CE Brands and the Company will consummate the Amalgamation;
D. Pursuant to the Amalgamation, the holders of the Common Shares will exchange those Common Shares for post-consolidation common shares of CE Brands on a one-for-one basis.

Although the Amalgamation will result in the Company becoming a wholly-owned subsidiary of CE Brands (the "Resulting Issuer"), it will constitute a reverse takeover ("RTO") for accounting purposes as the former shareholders of the Company will own a substantial majority of the common shares of the Resulting Issuer and all members of the board of directors and management of the Resulting Issuer will be designees of the Company. Upon completion of the Amalgamation, the business of the Resulting Issuer will be the business of the Company. Completion of the Amalgamation is subject to various conditions, including, but not limited to, receipt of approval of the TSX Venture Exchange.

In addition, CE Brands announced that it has entered into an agreement for an offering to be completed prior to the Amalgamation, whereby CE Brands will conduct a public offering of unit subscription receipts (the "Subscription Receipts") via a prospectus. CE Brands intends to sell a maximum of 3,614,457 Subscription Receipts for gross proceeds of $15,000,000. CE Brands has granted the agents an option to offer up to an additional 542,169 Subscription Receipts, solely to cover over-allotments, if any. Each Subscription Receipt entitles the holder of the Subscription Receipt to receive, without payment of additional consideration and without any further action, one unit of the Resulting Issuer (a "Unit") upon the satisfaction of the conditions to the closing of the Amalgamation. Each Unit consists of one common share of the Resulting Issuer (a "Resulting Issuer Share") and one-half of one common share purchase warrant of the Resulting Issuer (a "Resulting Issuer Warrant"). Each such Resulting Issuer Warrant entitles the holder to purchase one additional Resulting Issuer Share, for a purchase of price of $7.50 per Resulting Issuer Share, for a period of 24 months following the date on which the Resulting Issuer Warrant was issued.

**Subsequent Events**

Refer to the Consolidated Financial Statements for the years ended March 31, 2019, March 31, 2018, and March 31, 2017 for subsequent events disclosure.

**SCHEDULE K**

AUDITED FINANCIAL STATEMENTS OF CINATIC FOR THE YEAR ENDED MARCH 31, 2018

See attached.

Consolidated Financial Statements of

**eBuyNow eCommerce Limited**
**(formerly known as "Cinatic Technology Limited")**
(Incorporated in Hong Kong with limited liability)

As at and for the years ended March 31, 2018 and 2019

RSM Hong Kong
29th Floor, Lee Garden Two, 28 Yun Ping Road,
Causeway Bay, Hong Kong
T +852 2598 5123
F +852 2598 7230
www.rsmhk.com

羅申美會計師事務所
香港銅鑼灣恩平道二十八號
利園二期二十九字樓
電話 +852 2598 5123
傳真 +852 2598 7230
www.rsmhk.com

**INDEPENDENT AUDITOR'S REPORT**
**TO THE BOARD OF DIRECTORS OF**
**eBuyNow eCommerce Limited**
**(Formerly known as "Cinatic Technology Limited")**
**(Incorporated in Hong Kong with limited liability)**

**Opinion**

We have audited the consolidated financial statements of eBuyNow eCommerce Limited (formerly known as "Cinatic Technology Limited") (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 4 to 34, which comprise the consolidated statements of financial position as at March 31, 2018 and 2019, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2018 and 2019, and of its consolidated financial performance and its consolidated cash flows for each of the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB").

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Federation of Accountants ("IFAC"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**

We draw attention to note 2.2 to the consolidated financial statements, which indicates that as at March 31, 2019, the Group had net liabilities of CAD2,986,340 and had incurred consecutive losses and operating cash outflows. As stated in note 2.2, these events or conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

RSM

**INDEPENDENT AUDITOR'S REPORT**
**TO THE BOARD OF DIRECTORS OF**
**eBuyNow eCommerce Limited**
**(Formerly known as "Cinatic Technology Limited")**
**(Incorporated in Hong Kong with limited liability)**

**Responsibilities of Directors for the Consolidated Financial Statements**
The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

RSM

**INDEPENDENT AUDITOR'S REPORT**
**TO THE BOARD OF DIRECTORS OF**
**eBuyNow eCommerce Limited**
**(Formerly known as "Cinatic Technology Limited")**
**(Incorporated in Hong Kong with limited liability)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)**

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSM Hong Kong
Certified Public Accountants
Hong Kong

March 19, 2021

**eBuyNow eCommerce Limited**
**Consolidated Statements of Profit or Loss and Other Comprehensive Income**
**For the years ended March 31, 2018 and 2019**
**(Presented in Canadian Dollar)**

| | Note | 2019 | 2018 |
|---|---|---|---|
| Revenue | 13 | 2,692,332 | 327,784 |
| Cost of sales | | 2,296,897 | 241,196 |
| **Gross Profit** | | 395,435 | 86,588 |
| Other income | | 15,562 | 395 |
| Other gains | 14 | 2,018 | - |
| Gain on bargain purchase of a subsidiary | 18 | 23,421 | - |
| Selling expenses | | (336,441) | (67,027) |
| Administrative expenses | | (1,822,272) | (893,146) |
| Other operating expenses | | (450,176) | (408,236) |
| **Loss from operations** | | (2,172,453) | (1,281,426) |
| Finance costs | 16 | (198,546) | (125,030) |
| **Loss before tax** | | (2,370,999) | (1,406,456) |
| Income tax | 17 | (131) | - |
| **Loss for the year** | | (2,371,130) | (1,406,456) |
| Other comprehensive income for the year, net of tax: | | | |
| *Item that may be reclassified to profit or loss:* | | | |
| Exchange differences on translating foreign operations | | (67,362) | (20,166) |
| **Total comprehensive income for the year** | | (2,438,492) | (1,426,622) |

**eBuyNow eCommerce Limited**
**Consolidated Statements of Financial Position**
**As at March 31, 2018 and 2019**
**(Presented in Canadian Dollar)**

| | Note | 31.3.2019 | 31.3.2018 | 1.4.2017 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets | | | | |
| Bank balances | 5 | 132,126 | 146,746 | 199,978 |
| Accounts receivable | 5 | 1,297,311 | 6,183 | - |
| Other receivable | 5 | 174,742 | 8,624 | 1,715 |
| Inventory | | 120,295 | 23,912 | 42,868 |
| Prepaid expenses | | 8,011 | 39 | 43 |
| Deposits | 5 | 35,414 | 15,613 | 9,777 |
| Due from directors | 5 | - | 6,985 | - |
| | | 1,767,899 | 208,102 | 254,381 |
| Property, plant and equipment | 6 | 64,974 | 148,839 | 52,069 |
| Right-of-use assets | | 615,164 | 49,263 | 52,221 |
| **Total assets** | | 2,448,037 | 406,204 | 358,671 |
| **Liabilities** | | | | |
| Current liabilities | | | | |
| Accounts and other payables | | 2,183,745 | 61,384 | 175,341 |
| Payroll liabilities | | 136,470 | 50,548 | 1,029 |
| Contract liabilities | | 30,560 | - | - |
| Lease liabilities | | 437,656 | 42,334 | 40,904 |
| Due to ultimate holding company | | 73,467 | - | - |
| Due to directors | | 37,441 | 33,330 | - |
| Loans from shareholders | 7 | - | 506,666 | 246,224 |
| Loans from former shareholders | 7 | 341,184 | - | - |
| Working capital loan | 8 | 330,839 | - | - |
| Short-term bank loans | 9 | 64,818 | - | - |
| Loan from ultimate holding company | 11 | 1,217,930 | - | - |
| | | 4,854,110 | 694,262 | 463,498 |
| Working capital loan | 8 | 330,839 | - | - |
| Lease liabilities | | 249,428 | 10,210 | 14,853 |
| Convertible promissory notes | 10 | - | 868,306 | - |
| **Total liabilities** | | 5,434,377 | 1,572,778 | 478,351 |
| **Net liabilities** | | (2,986,340) | (1,166,574) | (119,680) |
| **Equity** | | | | |
| Share capital | 12 | 1,767 | 1,767 | 1,767 |
| Reserves | | 403,953 | 358,043 | (1,519) |
| Accumulated losses | | (3,392,060) | (1,526,384) | (119,928) |
| **Total equity** | | (2,986,340) | (1,166,574) | (119,680) |

These financial statements were approved by the Directors of the Company on March 19, 2021.

Wong Wing Kiong,
Director

Craig Simon Smith,
Director

**eBuyNow eCommerce Limited**
**Consolidated Statements of Cash Flows**
**For the years ended March 31, 2018 and 2019**
**(Presented in Canadian Dollar)**

| | Note | 2019 | 2018 |
|---|---|---|---|
| **Cash provided by/(used in):** | | | |
| **Cash flows used in operating activities** | | | |
| Net loss before tax | | (2,370,999) | (1,406,456) |
| Items not affecting cash: | | | |
| Depreciation in property, plant and equipment | 6 | 16,566 | 11,669 |
| Depreciation in right-of-use assets | | 242,708 | 55,820 |
| Loss on disposal of property, plant and equipment | | 2,294 | - |
| Written-off of inventory | | 8,811 | 11,160 |
| Gain on bargaining purchase on acquisition of a subsidiary | 18 | (23,421) | - |
| Gain on replacement of convertible promissory notes | | (2,018) | - |
| Finance costs | | 198,546 | 125,030 |
| Interest income | | (131) | (47) |
| Changes in non-cash working capital: | | | |
| Receivables | | (1,457,246) | (13,092) |
| Inventory | | (105,194) | 7,796 |
| Prepaid expenses | | (6,089) | 4 |
| Deposits | | (11,999) | (5,836) |
| Due from directors | | 6,985 | (6,985) |
| Due to ultimate holding company | | 73,467 | - |
| Payroll liabilities | | 85,922 | 49,519 |
| Contract liabilities | | 30,560 | - |
| Accounts and other payables | | 2,120,657 | (113,957) |
| Income tax paid | | (131) | - |
| Interest paid | | (34,542) | (83) |
| Interest on lease liabilities | | (47,666) | (36,990) |
| **Net cash used in operating activities** | | (1,272,920) | (1,322,448) |
| **Cash flows from financing activities** | | | |
| Due to directors | | 4,111 | 33,330 |
| Loans from shareholders and former shareholders | | 327,518 | 260,442 |
| Principal elements of lease payments | | (162,680) | (58,314) |
| Working capital loan | | 644,696 | - |
| Short-term bank loans | | 63,154 | - |
| Convertible promissory notes proceeds | 10 | 361,030 | 1,160,077 |
| **Net cash provided by financing activities** | | 1,237,829 | 1,395,535 |

**eBuyNow eCommerce Limited**
**Consolidated Statements of Cash Flows**
**For the years ended March 31, 2018 and 2019**
**(Presented in Canadian Dollar)**

| | Note | 2019 | 2018 |
|---|---|---|---|
| **Cash flows from/(used in) investing activities** | | | |
| Purchase of property, plant and equipment | | (155,621) | (110,580) |
| Disposal of property, plant and equipment | | 234,222 | - |
| Interest income received | | 131 | 47 |
| Acquisition of a subsidiary | 18 | 6,253 | - |
| **Net cash provided by/(used in) investing activities** | | 84,985 | (110,533) |
| **Change in cash position** | | 49,894 | (37,446) |
| Effect of foreign exchange rate changes | | (64,514) | (15,786) |
| **Cash and cash equivalents, at beginning of year** | | 146,746 | 199,978 |
| **Cash and cash equivalents, at end of year** | | 132,126 | 146,746 |

**eBuyNow eCommerce Limited**
**Consolidated Statements of Changes in Equity**
**For the Years ended March 31, 2019 and 2018**
**(Presented in Canadian Dollar)**

| | Share capital | Exchange translation reserve | Capital reserve | Convertible instrument reserve | Accumulated losses | Total |
|---|---|---|---|---|---|---|
| Balance at April 1, 2018 | 1,767 | (21,685) | - | 379,728 | (1,526,384) | (1,166,574) |
| Issuance of convertible promissory notes (note 10) | - | - | - | 125,726 | - | 125,726 |
| Waiver of loan from shareholders (note 7) | - | - | 493,000 | - | - | 493,000 |
| Transfer to accumulated | - | - | - | (505,454) | 505,454 | - |
| Total comprehensive income for the year | - | (67,362) | - | - | (2,371,130) | (2,438,492) |
| **Balance at March 31, 2019** | **1,767** | **(89,047)** | **493,000** | **-** | **(3,392,060)** | **(2,986,340)** |
| | | | | | | |
| Balance at April 1, 2017 | 1,767 | (1,519) | - | - | (119,928) | (119,680) |
| Issuance of convertible promissory notes (note 10) | - | - | - | 379,728 | - | 379,728 |
| Total comprehensive income for the year | - | (20,166) | - | - | (1,406,456) | (1,426,622) |
| **Balance at March 31, 2018** | **1,767** | **(21,685)** | **-** | **379,728** | **(1,526,384)** | **(1,166,574)** |

## 1. Company Overview

eBuyNow eCommerce Limited (the "Company") was incorporated in Hong Kong with limited liability. The address of its registered office and principal place of business is Unit 1901, 19/F, Tower 2, Phase 1 Enterprise Square, No.9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

The principal activities of the Company are research and development of IoT products and sales of self-developed IoT products. The principal activities of its subsidiaries are research and development of IoT products and sourcing of raw materials.

In the opinion of the directors of the Company, eBuyNow eCommerce Ltd. ("eBuyNow Canada"), a company incorporated in Canada, is the ultimate holding company as at 31 March 2019.

## 2. Basis of presentation

### 2.1. Statement of compliance

For all periods up to and including the year ended March 31, 2018, the Company and its Hong Kong subsidiary prepared their singleton financial statements in accordance with Small and Medium-sized Entity Financial Reporting Standard ("SME-FRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These consolidated financial statements for the year ended March 31, 2019 are the first that the Group has prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Accordingly, the Group has prepared consolidated financial statements which comply with IFRSs applicable for periods ending on or after March 31, 2019, together with the comparative financial statements as at and for the year ended March 31, 2018, as described in the accounting policies as set out in note 3.1. In preparing these financial statements, the Group's opening statement of financial position was prepared as at April 1, 2017, the Group's date of transition to IFRSs.

Except for those impacts related to IFRS 16 early adoption as set out in note 3.14.2, the transition from SME-FRSs to IFRSs has not had any material impact on the consolidated statement of financial position as at April 1, 2017.

These consolidated financial statements were approved for issue by the Board of Directors of the Company on March 19, 2021.

## 2. Basis of presentation (cont'd)

### 2.2. Going concern

As at 31 March 2019, the Group had net liabilities of CAD2,986,340 and had incurred consecutive losses and operating cash outflows. These events or conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. The Group meets its day-to-day working capital requirements through loans from the ultimate parent, bank, former shareholders and third parties. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products and services; and (b) the availability of debt financing for the foreseeable future. The ultimate parent has agreed not to require the repayment of any intercompany balances and loans in the next twelve months after the approved date of these consolidated financial statements. The Group's forecasts and projections, taking account of reasonably possible changes in sales performance and expenses saving, show that the Group should be able to operate within the level of its current facilities and with the financial support of the ultimate parent. After making due inquiry, the directors of the Company have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements of the Group to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

### 2.3. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the ultimate parent's functional and presentation currency. The function currency of the Company is Hong Kong dollars.

### 2.4. Consolidated subsidiaries

#### *2.4.1. Year ended March 31, 2019*

The consolidated subsidiaries as at March 31, 2019 are as follows:

| Country | Activities | Subsidiary |
|---|---|---|
| Hong Kong | Trading | Premitech Limited |
| China | Trading | 施那特（深圳）科技有限公司 |
| Vietnam | R&D | Premielink Company Limited |

All subsidiaries listed above were 100% owned and controlled by the Company directly, or though controlled subsidiaries.

## 2. Basis of presentation (cont'd)

### 2.4. Consolidated subsidiaries (cont'd)

*2.4.1. Year ended March 31, 2019 (cont'd)*

Subsidiary newly included in the consolidation for the year ended March 31, 2019:

| Country | Activities | Subsidiary |
|---|---|---|
| Vietnam | Premielink Company Limited | Acquisition of shares |

*2.4.2. Year ended March 31, 2018*

The consolidated subsidiaries as at March 31, 2018 are as follows:

| Country | Activities | Subsidiary |
|---|---|---|
| Hong Kong | Trading | Premitech Limited |
| China | Trading | 施那特（深圳）科技有限公司 |

All subsidiaries listed above were 100% owned and controlled by the Company directly, or though controlled subsidiaries.

### 2.5. Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for items where an alternative basis is required by IFRS. Details on these items are included below in Note 3, Significant accounting policies.

### 2.6. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4, Critical accounting estimates and assumptions.

## 3. Significant accounting policies

The accounting policies applied in these financial statements are based on IFRS issued and in effect as of March 19, 2021, the date the Board of Directors approved the financial statements. The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at April 1, 2017 for the purpose of the transition to IFRS, unless otherwise indicated.

## 3. Significant accounting policies (cont'd)

### 3.1. Early adoption of IFRS

As part of its conversion to IFRS, the Group has chosen to early adopt all IFRS Standards in effect that allow for early adoption. These standards were adopted effective April 1, 2017 and have been applied consistently to all periods presented in these financial statements. In particular, the Group early adopted the following IFRS Standards:

- *IFRS 9, Financial Instruments*
- *IFRS 15, Revenue from Contracts with Customers*
- *IFRS 16, Leases*
- *IFRIC 22, Foreign Currency Transactions and Advance Consideration*
- *IFRIC 23, Uncertainty over Income Tax Treatments*

### 3.2. Consolidation

The Group prepares the consolidated financial statements in accordance with IFRS 10, Consolidated Financial Statements.

Subsidiaries are all entities, including special purposes entities and non-incorporate entities such as partnerships, that are controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial results of a subsidiary are included in the consolidated financial statements from the date the Group obtains control of the subsidiary and cease to be included when the Group losses control of the subsidiary.

The Group applies the acquisition method to account for business combinations. The consideration paid is measured at the fair values of the consideration, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Goodwill is recognised as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the Group's previously held equity interest in the acquiree over the net identifiable assets acquired. If the total consideration is lower than the fair value of the acquiree's net assets in, the difference is immediately recognised in profit or loss.

Balances and transactions, and any unrealised revenue and expenses arising from intersegment transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with investments in equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The accounting policies of subsidiaries are aligned with the policies adopted by the Group.

## 3. Significant accounting policies (cont'd)

### 3.3. Foreign currency

*3.3.1. Function and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). These consolidated financial statements are presented in Canadian dollars, which is the ultimate parent's functional and presentation currency.

*3.3.2. Transactions and balances*

Foreign currency transactions are translated into an entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the period-end translations of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Exchange differences arising on non-monetary financial assets and liabilities such as equity instruments at fair value through profit or loss and equity instruments at fair value through other comprehensive income are recognised in profit or loss and other comprehensive income, respectively, as part of the fair value gain or loss.

*3.3.3. Translation into presentation currency*

The results and financial position of all the foreign subsidiaries that have a functional currency different from the presentation currency of the Company are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate on the reporting date.
- Income and expenses for each statement of income are translated using the annual average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions.
- All resulting exchange differences are recognised in other comprehensive income.

### 3.4. Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, deposits held at banks and short-term, low-risk investments which can be quickly liquidated into known amounts of cash.

## 3. Significant accounting policies (cont'd)

### 3.5. Financial instruments

The Group early adopted IFRS 9 on April 1, 2017. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *3.5.1. Financial assets*

a. Classification

The Group classifies its financial assets in the following three categories:

- Assets carried at amortised cost ("Amortised Cost")
- Assets carried at fair value through other comprehensive income ("FVTOCI")
- Assets carried at fair value through profit and loss ("FVTPL")

The classification depends on both the Group's business model for managing the financial instrument and the contractual terms of the instrument itself.

A financial asset is classified as Amortised Cost if the objective of the business model is to hold the financial asset for the collection of the cash flows; and all contractual cash flows represent only principal and interest on that principal.

A financial asset is classified as FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

All financial assets that do not meet the criteria to be classified as Amortised Cost or FVTOCI are classified as FVTPL, this includes all derivative financial assets. The Group may make an irrevocable election to designate a financial asset that would otherwise be classified in another category as FVTPL. If the election is made it is irrevocable, meaning that asset must remain categorised as FVTPL until that asset is derecognised.

b. Recognition and derecognition

Purchases and sale of financial assets are recognised on the settlement date, which is the date in which the asset is delivered to or by the Group. Financial assets are derecognised when the rights to receive cash flows have expired or are transferred and the Group has transferred substantially all risks and rewards of ownership.

## 3. Significant accounting policies (cont'd)

### 3.5. Financial instruments (cont'd)

#### *3.5.1. Financial assets (cont'd)*

c. Measurement

Financial assets carried at Amortised Cost or FVTOCI are initially measured at their fair value plus transactions costs. Financial assets carried at FVTPL are initially measured at their value, with any associated transaction costs being immediately expensed through profit or loss.

Subsequent measurement of financial assets depends on the category the asset has been assigned to.

Gains or losses on assets carried at Amortised Cost are recorded in profit or loss upon derecognition, or earlier the asset is impaired.

Gains or losses on assets carried at FVTOCI are recorded in other comprehensive income, except for impairment, interest, dividend and foreign exchange related gains and losses, which are recorded in profit or loss. Upon derecognition of an asset categorised as FVTOCI, the net gains or losses related to the asset previously recorded in other comprehensive income are reclassified to profit or loss.

Gains or losses on assets carried at FVTPL are recorded in profit or loss in the period in which they occur.

d. Impairment

The Group addresses at each reporting date whether there is objective evidence that a financial asset, other than those carried at FVTPL, or a group of financial assets, is impaired. When impairment has occurred, the carrying amount of the financial asset is reduced by the impairment loss directly and the loss is recognised in profit and loss.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

For financial assets carried at Amortised Cost, the amount of impairment loss recognised is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rate. An impairment loss on financial assets carried at Amortised Cost can be reversed if the reversal can be related objectively to an event occurring after the impairment was recognised. In such cases, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## 3. Significant accounting policies (cont'd)

### 3.5. Financial instruments (cont'd)

#### *3.5.1. Financial assets (cont'd)*

d. Impairment (cont'd)

When an asset carried at FVTOCI is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive loss are reclassified to the profit or loss in the period. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

#### *3.5.2. Financial liabilities*

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost for liabilities that are not hedged, and fair value for liabilities that are hedged. Non-performance risk, including the Group's own credit risk for financial liabilities, is considered when determining the fair value of financial liabilities.

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Based on the Group's assessment, there are no impacts of the initial adoption of IFRS 9 on the Group's opening retained deficit as at April 1, 2017.

### 3.6. Accounts receivable

Accounts receivable are amounts due from customers for goods and services provided in day-to-day operations of the Group. A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Impairment loss for expected credit loss ("ECL") on accounts receivable is assessed at each reporting date based on the credit risk of accounts receivable. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

## 3. Significant accounting policies (cont'd)

### 3.6. Accounts receivable (cont'd)

The Group always recognises lifetime ECL for accounts receivables. The ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Accounts receivable is stated at amortised cost using the effective interest method less allowance for credit losses.

### 3.7. Inventory

Inventory is reported at the lower of cost and net realisable value. Unit costs are determined using the first-in, first-out methods, and cost includes raw materials, direct labour, production overhead and other directly related costs. Net realisable value is the estimated selling price of an item less any variable costs of sale.

Inventory items are tested for signs of impairment at each reporting date and any impairment loss is immediately recognised in profit and loss.

Under certain circumstances, the Group sells raw materials to the contract manufacturer and subsequently repurchases finished goods from the contract manufacturer which contain such raw materials. Net sales of raw materials to the contract manufacturer are recorded on the consolidated statement of financial position as contract manufacturer's receivable, and are eliminated from net revenue as the Group intends to repurchase the raw materials from the contract manufacturers in the form of finished goods.

### 3.8. Property, plant and equipment ("PP&E")

PP&E is presented at historical cost less accumulated depreciation and/or impairment charges. Cost for an item includes the amounts paid for the items, as well as any costs directly related to the acquisition of the item, such as shipping or installation charges. Depreciation on PP&E is calculated using the straight-line method.

The Group amortises its PP&E over the following estimated useful lives:

Office and computer equipment – 5 years
Leasehold improvements – 5 years

The estimated useful lives PP&E are reviewed annually, and adjusted if appropriate, with any changes to estimated useful lives made on a prospective basis. Assets are also tested for signs of impairment at each reporting date and any impairment loss is immediately recognised in profit and loss. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and recognised within profit or loss.

## 3. Significant accounting policies (cont'd)

### 3.9. Accounts payable

Accounts payable is amount due to suppliers for merchandise purchased or services received in the ordinary course of business. Accounts payable is recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### 3.10. Long-term debt

Long-term debt is initially recognised at fair value, net of transaction costs, and are subsequently measured at amortised cost. Any difference between cost and the redemption value is recognised in the statement of income over the period of the borrowings using the effective interest method. Amounts classified as long-term debt are due more than 12 months after the end of the reporting date; any amounts due within 12 months are reclassified to short-term debt in the reporting period in which they become due within 12 months.

### 3.11. Income taxes

Income tax expense or recovery is comprised of current and deferred tax. Income tax expense or recovery is recognised in profit or loss except to the extent that it relates to items recognised in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, plus any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, including carry forward of non-capital losses, can be utilised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they are related to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, where the intention is to settle current tax liabilities and asset on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that the related tax benefit will be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future profit will allow the deferred tax asset to be recovered.

## 3. Significant accounting policies (cont'd)

### 3.12. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the common shares are recognised as a deduction from equity, net of any tax effects.

### 3.13. Revenue recognition

The Group's sources of revenue consist of sales of self-developed IoT products, and trading of parts of IoT products.

Revenue mainly comprises the fair value of the consideration received or receivable for the sale of products in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, sales incentives and discounts and after eliminating intercompany transactions.

The Group early adopted IFRS 15 on April 1, 2017. The Group shall recognise revenue in accordance with IFRS 15 by applying the following 5 steps:

a. Identify the contracts with the customers
b. Identify the separate performance obligations
c. Determine the transaction price of the contract
d. Allocate the transaction price to each of the separate performance obligations, and
e. Recognise the revenue as each performance obligation is satisfied.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, April 1, 2017. No difference at the date of initial application is recognised in the opening retained deficit (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at April 1, 2017.

The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies.

Sales are recognsied when control of the IoT products and raw materials of IoT products has transferred, being when the goods are delivered to the customer, the customer has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The adoption of IFRS 15 does not have a significant impact on how the Group recognises revenue from sales of goods.

## 3. Significant accounting policies (cont'd)

### 3.14. Leases

The Group early adopted IFRS 16 on April 1, 2017. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Group adopted IFRS 16 using a modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information and recognises the cumulative effect of IFRS 16 prior to April 1, 2017 as an adjustment to the opening retained deficit and applies the standard prospectively. On adoption, the Group also elected to apply the following methods as permitted under the standard:

- Leases with terms ending within 12 months are recognised as short-term leases.
- Short-term leases and leases of low value assets that have been identified are not recognised on the consolidated statement of financial position. Expenses for these leases are recognised as incurred with the amounts disclosed in the notes to the consolidated financial statements.
- The provision for leases previously recognised was applied to the value of the associated right-of-use asset. In this case, no impairment assessment was performed under IAS 36 Impairment.

#### *3.14.1. As a lessee*

The Group leases many assets, including offices, staff quarter and servers.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

The recognised right-of-use assets relate to the following types of assets:

| | Carrying amount 2019 | Carrying amount 2018 |
|---|---|---|
| Offices | 121,196 | 12,496 |
| Staff quarter | 9,519 | 36,767 |
| Servers | 484,449 | - |
| **Total right-of-use assets** | **615,164** | **49,263** |

The Group recognsies a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

## 3. Significant accounting policies (cont'd)

### 3.14. Leases (cont'd)

*3.14.2. Impact on transition*

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in accumulated losses. The change in accounting policy affected the following items on the condensed consolidated statement of financial position (increase/(decrease)) as at April 1, 2017 is summarised below.

| | April 1, 2017 |
|---|---|
| **Assets** | |
| Right-of-use assets | 52,221 |
| **Liabilities** | |
| Lease liabilities | 55,757 |
| **Equity** | |
| Accumulated losses | (3,536) |

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at April 1, 2017. The weighted-average rate applied for the period from April 1, 2017 to March 31, 2019 is 13%.

### 3.15. Convertible promissory notes

Convertible promissory notes which entitle the holder to convert the notes into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible promissory notes and the fair value assigned to the liability component, representing the embedded option for the holder to convert the notes into equity of the Group, is included in equity as convertible promissory notes reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible promissory notes based on their relative carrying amounts at the date of issue. The portion related to the equity component is charged directly to equity.

## 3. Significant accounting policies (cont'd)

### 3.16. Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### 3.17. Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 4. Critical accounting estimates and assumptions

### 4.1. Determination of fair value

Certain of the Group's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair values of cash, accounts receivable, and accounts and other payable approximates their carrying values due to their short term to maturity.

The significance of inputs used in making fair value measurements for assets and liabilities measured at fair value are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The convertible promissory notes are measured at fair value on level 2 fair value measurement. For level 2 fair value measurements, the Group would normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

## 4. Critical accounting estimates and assumptions (cont'd)

### 4.1. Determination of fair value (cont'd)

Key unobservable inputs used in level 2 fair value measurements are mainly:

| Description | Valuation technique | Unobservable inputs | Range | Effect on fair value for increase of inputs | Fair value at inception dates 2019 | 2018 |
|---|---|---|---|---|---|---|
| Convertible promissory notes | Discounted cash flows | Discount rate | 15.01% - 16.37% | Decrease | - | 868,306 |

### 4.2. Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

### 4.3. Impairment of trade receivables

The Group estimates the amount of impairment loss for ECL on accounts receivable based on the credit risk of accounts receivable. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

### 4.4. Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

## 5. Financial risk management

### 5.1. Overview

The Group's planned operations will expose it to a variety of financial risks that arise as a result of its operating and financing activities:

- credit risk;
- liquidity risk; and,
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.
The Group employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Group's business objectives and risk tolerance levels. While the Directors have the overall responsibility for the establishment and oversight of the Group's risk management framework, management has the responsibility to administer and monitor these risks.

### 5.2. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk at March 31, 2019 and 2018 is as follows:

| | Carrying amount 2019 | Carrying amount 2018 |
|---|---|---|
| Bank balances | 132,126 | 146,746 |
| Accounts receivable | 1,297,311 | 6,183 |
| Other receivable | 174,742 | 8,624 |
| Deposits | 40,002 | 15,613 |
| Due from directors | - | 6,985 |
| Total | 1,644,181 | 184,151 |

Cash consists of cash bank balances. The Group manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

There is high concentration of credit risk with respect to accounts receivable, as about 80% of accounts receivable is due from eBuyNow Canada, the ultimate holding company. Based on past experience, management believes that credit risk of the ultimate holding company and other customers is low, as there has been no significant change in credit quality and the balances are still considered fully recoverable.

## 5. Financial risk management (cont'd)

### 5.2. Credit risk (cont'd)

Other receivable consists of contract manufacturer's receivable and value added tax ("VAT") receivable. Contract manufacturer's receivable which is due from the sole manufacturer and is subject to credit risk that would be considered low in the environment. VAT receivable which is unused deductible input VAT and is subject to credit risk that would be considered low in the environment.

Deposits represent refundable rent deposits for offices and staff quarter. The amounts are subject to credit risk that would be considered low in the environment.

### 5.3. Liquidity risk

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

The Group's operating cash requirements including amounts projected to complete the Group's existing capital expenditure program are continuously monitored and adjusted as input variables change. As these variables change, liquidity risks may necessitate the Group to conduct equity issues or obtain project debt financing.

The Group's liquidity risk is reflected in Note 2.2, Going concern. The Group will require additional funding to reduce its exposure to liquidity risk. The Group continuously monitors its actual and forecast cash flows to review whether there are adequate reserves to meet the maturing profiles of its liabilities. The following table outlines the maturities of the Group's liabilities as at March 31, 2019:

| | Contractual cash flows | Less than 1 year or repayable on demand |
|---|---|---|
| Accounts and other payable | 2,183,744 | 2,183,744 |
| Lease liabilities | 687,084 | 437,656 |
| Due to ultimate holding company | 73,467 | 73,467 |
| Due to directors | 37,441 | 37,441 |
| Due to former shareholders | 341,184 | 341,184 |
| Payroll liabilities | 136,470 | 136,470 |
| Working capital loan | 661,678 | 330,839 |
| Loan from ultimate holding company | 1,217,930 | 1,217,930 |
| Short-term loans | 64,818 | 64,818 |
| Total | 5,403,816 | 4,823,549 |

## 5. Financial risk management (cont'd)

### 5.4. Market risk

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

*Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates.

The Group had no interest rate swaps or financial contracts in place as at or during the years ended March 31, 2019 and 2018.

*Foreign exchange risk*

The Group's financial performance is linked to foreign exchange currency. While the Group may employ the use of various financial instruments in the future to manage these price exposures, the Group is not currently using any such instruments. The Group currently has not obtained any hedging instruments to mitigate the potential effects of price fluctuations.

### 5.5. Capital management

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

The Group will manage its capital structure and make changes to it in the light of changes to economic conditions and the risk characteristics of the nature of the business. The Group considers its capital structure to include shareholders' equity/deficit and working capital deficit. In order to maintain or adjust the capital structure, the Group may from time to time issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure.

The Group is not subject to externally imposed capital requirements.

## 6. Property, plant and equipment

| **Cost** | 2019 | 2018 |
|---|---|---|
| Balance at beginning of reporting period | 167,829 | 59,708 |
| Additions | 167,087 | 110,580 |
| Disposals | (248,092) | - |
| Exchange difference | 5,324 | (2,459) |
| Balance at end of reporting58period | 92,148 | 167,829 |

| **Accumulated depreciation** | 2019 | 2018 |
|---|---|---|
| Balance at beginning of reporting period | 18,990 | 7,639 |
| Additions | 2,279 | - |
| Depreciation for year | 16,566 | 11,669 |
| Disposals | (11,576) | - |
| Exchange difference | 915 | (318) |
| Balance at end of reporting period | 27,174 | 18,990 |
| **Net book value, March 31** | 64,974 | 148,839 |

## 7. Loans from shareholders / former shareholders

Loans from shareholders and former shareholders represent the loans before the Group being acquired by eBuyNow Canada. The loans are non-interest-bearing and repayable on demand. On January 30, 2019 part of the loans amounted to CAD493,000 were waived by respective shareholders.

## 8. Working capital loan

| | 2019 | 2018 |
|---|---|---|
| Current portion | 330,839 | - |
| Non-current portion | 330,839 | - |
| Working Capital Loan | 661,678 | - |

Working capital loan of US$500,000 provided by a major supplier of the Group bears interest at a floating rate of 1% over the Hong Kong Prime rate per annum and is unsecured. Half of the principal amount matures on August 3, 2019 and the remaining matures on August 17, 2020.

## 9. Short-term bank loan

The short-term bank loan of HK$500,000 has an effective interest rate of 13%. The loan is for the purpose of financing working capital. This loan is guaranteed personally by Mr. Wong Wing Kiong, a director of the Company, and Mr. Siu Kelvin Conrad, a director of the Company (resigned on May 25, 2019).

## 10. Convertible promissory notes

Convertible promissory notes (Series A) were issued with zero coupon and respective nominal values of US$500,000 and HK$3,000,000 on July 31, 2017. The notes are convertible into ordinary shares of the Company at any time between the issuing date and their maturity date on March 31, 2020. The notes are convertible for 625 ordinary shares for nominal value of US$500,000 and for 427 ordinary shares for nominal value of HK$3,000,000.

Another convertible promissory note (Series B) was issued with zero coupon and nominal value of US$250,000 on December 27, 2018. The note is convertible into ordinary shares of the Company at any time between the issuing date and its maturity date on December 27, 2021. The note is convertible for 232 ordinary shares for nominal value of US$250,000.

Movements of the convertible promissory notes are as follows:

| | Series A | Series B | Total |
|---|---|---|---|
| Nominal value of convertible promissory notes issued | 1,160,077 | - | 1,160,077 |
| Equity component | (379,728) | - | (379,728) |
| Liability component at date of issue | 780,349 | - | 780,349 |
| Interest charged (note 15) | 87,957 | - | 87,957 |
| Liability component at March 31, 2018 | 868,306 | - | 868,306 |
| Nominal value of convertible promissory notes issued | - | 361,030 | 361,030 |
| Equity component | - | (125,726) | (125,726) |
| Liability component at date of issue | - | 235,304 | 235,304 |
| Interest charged (note 15) | 112,681 | 3,657 | 116,338 |
| Derecognition (note 11) | (980,987) | (238,961) | (1,219,948) |
| Liability component at March 31, 2019 | - | - | - |

## 11. Loan from ultimate holding company

On January 30, 2019, the Company reached agreements with eBuyNow Canada and 7 convertible promissory notes holders to replace all convertible promissory notes of the Company with a loan amounted to CAD1,217,930 from eBuyNow. The loan is non-interest-bearing and repayable on demand. The difference between the loan amount and convertible promissory notes carrying amount of CAD1,219,948 is immediately recognised as other gain.

## 12. Share capital

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| Ordinary shares, issued and fully paid: | | | | |
| At 31 March | 10,000 | 1,767 | 10,000 | 1,767 |

The Group's primary capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate returns to its shareholders, by pricing services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure to ensure optimal capital structure and shareholder returns. Management regards total equity as capital, for capital management purpose. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

## 13. Revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product or service lines:

| | 2019 | 2018 |
|---|---|---|
| Sales of goods | 2,692,332 | 321,387 |
| Consultancy income | - | 6,397 |
| Total | 2,692,332 | 327,784 |

## 14. Other gains

| | 2019 | 2018 |
|---|---|---|
| Gain on replacement of convertible promissory notes | 2,018 | - |

## 15. Employee benefits expense

| | 2019 | 2018 |
|---|---|---|
| Employee benefits expense including directors' emoluments: | | |
| Salaries, bonus and allowances | 1,150,639 | 500,398 |
| Retirement benefits scheme contributions | 60,970 | 35,453 |
| Total | 1,211,609 | 535,851 |

## 15. Employee benefits expense (cont'd)

Directors' emoluments

| | 2019 | 2018 |
|---|---|---|
| Salaries and bonus | 174,064 | 77,090 |
| Housing allowances | 31,202 | 22,291 |
| Estimated money values of other benefits (note (i)) | 74,400 | 29,524 |
| Retirement benefits scheme contributions | 6,817 | 2,706 |
| Total | 286,483 | 131,611 |

Note:
(i) Estimated money values of other benefits include management fee and car installment fee.

## 16. Finance costs

| | 2019 | 2018 |
|---|---|---|
| Interest on lease liabilities | 47,666 | 36,990 |
| Interest on bank overdraft | 32 | 83 |
| Interest on convertible loans | 116,338 | 87,957 |
| Interest on bank loan and working capital loan | 34,510 | - |
| Total | 198,546 | 125,030 |

## 17. Income tax

| | 2019 | 2018 |
|---|---|---|
| Current tax - Hong Kong Profits Tax | | |
| Provision for the year | - | - |
| | - | - |
| Current tax - Overseas | | |
| Provision for the year | 131 | - |
| Total | 131 | - |

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profits for the year ended March 31, 2019 and 2018.

Enterprise Income Tax of the People's Republic of China (the "PRC") has been provided at a rate of 25%. Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

## 17. Income tax (cont'd)

The reconciliation between the income tax expense and the product of profit before tax multiplied by the weighted average tax rate of the consolidated companies is as follows:

| | 2019 | 2018 |
|---|---|---|
| Loss before tax | (2,370,999) | (1,406,456) |
| Tax at the weighted average tax rate | (395,444) | (231,912) |
| Tax effect of income that is not taxable | (3,864) | (449) |
| Tax effect of expenses that are not deductible | 7,759 | - |
| Tax effect of temporary differences not recognised | 2,471 | - |
| Tax effect of tax losses not recognised | 389,475 | 232,361 |
| Tax effect of tax exemption | (266) | - |
| Income tax expense | 131 | - |

At the end of the reporting period the Group has unused tax losses of CAD3,760,524 (2018: CAD1,408,252) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately CAD15,876 (2018: Nil) that will expire after 5 years from the year of assessment they related to. Other tax losses may be carried forward indefinitely.

## 18. Notes to the consolidated statements of cash flow

### 18.1. Acquisition of a subsidiary

On December 21, 2018, the Group acquired 100% equity interest in Premielink Limited ("Premielink") from a third party at a cash consideration of VND100,000,000.

Net assets at the date of acquisition were as follows:

| | December 21, 2018 |
|---|---|
| Fixed assets | 9,187 |
| Prepayments and other receivables | 9,685 |
| Cash and bank balances | 11,813 |
| Other payables | (1,704) |
| Total net identifiable assets | 28,981 |
| Total consideration | (5,560) |
| Gain on bargain purchase | 23,421 |
| Consideration satisfied by | |
| Cash | (5,560) |
| Cash and cash equivalents acquired | 11,813 |
| Cash consideration payable | (5,560) |
| Net cash inflow arising on acquisition | 6,253 |

## 18. Notes to the consolidated statements of cash flow (cont'd)

### 18.2. Major non-cash transaction

On January 30, 2019, the Group has recognised capital reserve of HK$2,958,227 (equivalent to CAD493,000) from an arrangement that former shareholders waived part of the Company's loan payables.

During the year ended March 31, 2019, the Group has other gains of CAD2,018 for exchanging the convertible promissory notes payables for a loan from eBuyNow Canada.

### 18.3. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | April 1, 2018 | Cash flow | Addition | Interest expenses | Non-cash transaction | Transfer to reserve | Exchange losses/(gains) | March 31, 2019 |
|---|---|---|---|---|---|---|---|---|
| Due to directors | 33,330 | 4,111 | - | - | - | - | - | 37,441 |
| Loans from shareholders and former shareholders | 506,666 | 327,518 | - | - | (493,000) | - | - | 341,184 |
| Lease liabilities | 52,544 | (210,346) | 797,220 | 47,666 | - | - | - | 687,084 |
| Working capital loan | - | 644,696 | - | - | - | - | 16,982 | 661,678 |
| Short-term bank loans | - | 63,154 | - | - | - | - | 1,664 | 64,818 |
| Convertible promissory notes | 868,306 | 361,030 | - | 116,338 | (1,219,948) | (125,726) | - | - |
| Loan from ultimate holding company | - | - | - | - | 1,217,930 | - | - | 1,217,930 |
| | 1,460,846 | 1,190,163 | 797,220 | 164,004 | (495,018) | (125,726) | 18,646 | 3,010,075 |

| | April 1, 2017 | Impact on initial application of IFRS 16 (Note 3.14) | Restated balance at April 1, 2017 | Cash flow | Addition | Interest expenses | Transfer to reserve | March 31, 2018 |
|---|---|---|---|---|---|---|---|---|
| Due to directors | - | - | - | 33,330 | - | - | - | 33,330 |
| Loans from shareholders and former shareholders | 246,224 | - | 246,224 | 260,442 | - | - | - | 506,666 |
| Lease liabilities | | 55,757 | 55,757 | (95,304) | 55,101 | 36,990 | - | 52,544 |
| Convertible promissory notes | - | - | - | 1,160,077 | - | 87,957 | (379,728) | 868,306 |
| | 246,224 | 55,757 | 301,981 | 1,358,545 | 55,101 | 124,947 | (379,728) | 1,460,846 |

## 19. Related party transactions

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the reporting periods:

| | 2019 | 2018 |
|---|---|---|
| Sales of IoT products to ultimate holding company | 48,339 | - |

During the year ended March 31, 2019, Mr. Wong Wing Kiong, a director of the Company, and Mr. Siu Kelvin Conrad, a former director of the Company (resigned on May 25, 2019), have provided personal guarantee of HK$500,000 (2018: Nil) in favour of a bank with respect to a bank loan made to the Group.

## 20. Contingent liabilities

According to the OEM manufacturing agreement (the "OEM Agreement") signed between the Company and Alford Industries Limited (the "Manufacturer"), by December 2020 or in the event of early termination of the OEM Agreement, whichever is earlier, the Company shall pay to the Manufacturer the unamortised tooling fee calculated on a pro rata basis based on the shortfall number of pieces by 300,000.

The Company started to place purchase orders with the Manufacturer from September 2018 and continuously purchases the finished goods from the Manufacturer. The Company estimates the future probable obligation due to the shortfall could be a range from nil to US$344,852 (CAD456,362). The final manufacture quantity is highly related to the sales orders placed by customers; therefore, it is the directors' opinion that the future probable obligation cannot be reliably estimated as at March 31, 2019.

## 21. Events after the reporting period

(a) In November 2019, the Company claimed against a defendant company for the repayment of approximately US$210,000 (the "Claim") which was wrongly and unwilfully remitted to the defendant company as a result of business email compromise scams. In August 2020, the Company withdrawn the Claim and mediated with the defendant company by receipt of approximately US$48,000 (CAD63,521) and a loss of approximately US$162,000 (CAD214,384) was recognised.

(b) As set out in note 20 to the consolidated financial statements, according to the OEM Agreement between the Company and the Manufacturer, by December 2020 or in the event of early termination of the OEM Agreement, whichever is earlier, the Company shall pay to the Manufacturer the unamortised tooling fee calculated on a pro rata basis based on the shortfall number of pieces by 300,000.

The directors of the Company are of opinion that the Manufacturer would not demand the payment of tooling fee in accordance with the OEM Agreement even if the final manufacture quantity did not reach 300,000 pieces due to the ongoing business relationship. According to management's estimation, the amount of tooling fee payable due to shortfall in ordered pieces was US$325,790 (CAD431,136) as at December 31, 2020.

**21. Events after the reporting period (cont'd)**

(c) The Company has failed to make timely interest and principal payments on the working capital loan (see Note 8) which matured on August 17, 2020. On March 11, 2021, the Company reached an agreement with the major supplier (lender) that the outstanding loan principal and interest of US$257,500 (CAD340,764) shall be repayable by the Company after the amalgamation of CE Brand Inc. and eBuyNow Canada being completed.

**CERTIFICATE OF THE CORPORATION**

Dated: June 3, 2021

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all the provinces of Canada, except Québec.

(signed) *David Henderson*
David Henderson
Chief Executive Officer

(signed) *Brian Prokop*
Brian Prokop
Chief Financial Officer

On behalf of the Directors:

(signed) *Eric Holle*
Eric Holle
Director

(signed) *Robinson Smith*
Robinson Smith
Director

On behalf of the Promoter:

(signed) *David Henderson*
David Henderson

**CERTIFICATE OF EBN**

Dated: June 3, 2021

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all the provinces of Canada, except Québec.

| | |
|---|---|
| (signed) *Craig Smith* | (signed) *Kalvie Legat* |
| Craig Smith | Kalvie Legat |
| Chief Executive Officer | Chief Financial Officer |

On behalf of the EBN Directors:

| | |
|---|---|
| (signed) *Craig Smith* | (signed) *Wong Wing Kiong* |
| Craig Smith | Wong Wing Kiong |
| Director | Director |

On behalf of the Promoters:

| | |
|---|---|
| (signed) *Craig Smith* | (signed) *Wong Wing Kiong* |
| Craig Smith | Wong Wing Kiong |

**CERTIFICATE OF THE AGENTS**

Dated: June 3, 2021

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all the provinces of Canada, except Québec.

INTEGRAL WEALTH
SECURITIES LIMITED

(signed) *John Gibson*
John Gibson
Chief Executive Officer

ECHELON WEALTH PARTNERS
INC.

(signed) *Ryan Mooney*
Ryan Mooney
Managing Director

RESEARCH CAPITAL
CORPORATION

(signed) *Howard Katz*
Howard Katz
Managing Director