CE Brands Inc.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE INTERIM PERIOD ENDED June 30, 2021

The following management's discussion and analysis ("**MD&A**") of the financial condition and results of the operations of CE Brands Inc. ("**CEBI**" or the "**Company**" is a public company traded on the TSX-V exchange under the symbol CEBI) constitutes management's review of the factors that affected the Company's financial and operating performance for the three month period ended June 30, 2021 and June 30, 2020. Reference in this MD&A to "the Company" refers to EBN and its subsidiaries until June 18, 2021. Subsequent to June 18, 2021, "the Company" refers to the consolidated operations of CE Brands Inc. and the historical operations of EBN and its subsidiaries. This MD&A should be read in conjunction with the Company's unaudited Condensed Interim Consolidated Financial Statements and accompanying notes for the three month period ended June 30, 2021 and June 30, 2020, as well as the audited financial statements of the eBuyNow eCommerce Ltd. ("EBN" or the "Operating Entity") for the years ended March 31, 2021 and March 31, 2020, together with the notes thereto which have been prepared in accordance with International Accounting Standard ("**IAS**") 34 and Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), respectively.

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 August 24, 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 forward looking 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) "Q1 2022" are to the three month period ended June 30, 2021; (b) "Q1 2021" are to the three month period ended June 30, 2020. The unaudited Interim Condensed Consolidated Financial Statements and the accompanying notes for the three month period ended June 30, 2021 and June 30, 2020, and this MD&A were reviewed and approved by the Board on August 24, 2021.

Going concern

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

At June 30, 2021, the Company had not achieved profitable operations since its inception and had accumulated a deficit of $31,024,982 (March 31, 2021 – $28,335,419), incurred a net loss of $2,689,563 for the three months ended June 30, 2021 (three months ended June 30, 2020 - $2,929,247), and cash flow used in operating activities for the three months ended June 30, 2021 was $5,227,427 (three months ended June 30, 2020 - $726,327). At June 30, 2021, the Company had a working capital surplus of $1,940,847 (March 31, 2021 – deficiency of $12,849,031). The Company also has commitments of $1,321,123 due in the next 12 months.

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 June 30, 2021 is uncertain. Until this time, management will have to raise funds by way of debt or equity issuances or improve profitability.

There can be no assurance as to when the Company will achieve profitable operations, 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 achieve profitable operations or to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects. These conditions create a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

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

Description of the Business

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*. Through the use of 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 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.

The Company's headquarters are in Canada and the address of its registered office is 301-1321 Blanshard St, Victoria, BC, V8W 0B6.

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

CE Brands Inc. was incorporated in the Province of Alberta on October 15, 2018 under the Business Corporations Act (Alberta) by Certificate of Incorporation issued pursuant to the provisions of the Canada

Corporations Act. The predecessor entity that was operating the business of EBN was incorporated under the British Columbia Business Corporation Act on April 19, 2012.

Reverse acquisition of CE Brands Inc. by eBuyNow eCommerce Ltd.

On January 28, 2021, CE Brands Inc. 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

On June 18, 2021, EBN completed a reverse takeover transaction with CE Brands Inc. which constituted a qualifying transaction (as defined in the policies of the TSX Venture Exchange) for CE Brands Inc. (the “Qualifying Transaction” or “Transaction”) involving EBN.

Immediately before the Qualifying Transaction, CE Brands Inc. consolidated its common shares “Common Shares”) on a 20.75-for-one basis. Existing stock options and warrants outstanding in CE Brands Inc. were also consolidated on a 20.75-for-one basis and entitled the holders to acquire shares in the capital of the resulting issuer for each stock option and warrant held immediately before the amalgamation.

In connection with the reverse takeover transaction, the following occurred:

- On June 18, 2021, the Company completed a public offering (the “Offering”) of 4,156,626 subscription receipts (the “Subscription Receipts”) for gross proceeds of $17,250,000, each subscription receipt entitles the holder to one common share and one common share purchase warrant. The Company converted the Subscription Receipts into a total 4,156,626 common shares (the “Underlying Shares”) and 4,156,626 common share purchase warrants (the “Underlying Warrants”), each of which entitles the holder to purchase one common share of the Company (a “Warrant Share”), for a purchase of price of C$7.50 per Warrant Share, for a period of 24 months following the date on which the Underlying Warrant was issued.
- Immediately before the Qualifying Transaction, holders of EBN common shares, warrants and stock options had their securities consolidated on a five-for-one basis. Pursuant to the Qualifying Transaction, the Company issued 18,141,970 Common Shares, options to purchase 1,395,000 Common Shares, 3,230,342 warrants to purchase Common Shares, and US$1,388,888 (CAD$1,964,629) aggregate principal amount of unsecured notes that are convertible into an aggregate of 624,721 Common Shares, and C$1,174,785 aggregate principal amount of unsecured notes that are convertible into an aggregate of 313,277 Common Shares to former security holders of EBN.

Immediately after the completion of the Qualifying Transaction and conversion of the Subscription Receipts, the issued and outstanding share capital of the Company consisted of 22,713,054 Common Shares, options to purchase 1,793,073 Common Shares, 7,386,969 warrants to purchase Common Shares, US$1,388,888 (CAD $1,964,629) aggregate principal amount of unsecured notes that are convertible into an aggregate of 624,721 Common Shares, and C$1,174,785 aggregate principal amount of unsecured notes that are convertible into an aggregate of 313,277 Common Shares to former security holders of the Company.

Under IFRS, the share exchange is considered to be a share-based payment in substance. That is, the share exchange is measured at the fair value of the company acquired. Accordingly, the share exchange is accounted for as a reverse acquisition and no goodwill is recorded. Under reverse acquisitions, the post reverse acquisition comparative historical financial statements of the legal acquirer, CEBI, are those of the legal acquiree, EBN, which is considered the accounting acquirer. These financial statements reflect the statements of financial positions, the results of operations and the cash flows of EBN and its subsidiaries at their historical carrying amounts.

Through the Transaction, CEBI acquired legal control of EBN by way of a share exchange and subsequent amalgamation. However, the shareholders of EBN gained voting control of CEBI pursuant to the issuance of CEBI common shares to the shareholders of EBN, representing a 98% majority interest in CEBI. EBN is determined to be the accounting acquirer and, consequently, the transaction has been accounted for as a reverse acquisition of CEBI by EBN. As CEBI does not meet the definition of a business, the transaction is accounted for as a reverse acquisition of net assets, pursuant to IFRS 2 Share Based Payments.

The acquisition date fair value of the consideration transferred by the accounting acquirer, EBN for its interest in the accounting acquiree, CEBI of $1,459,907 (or 414,458 common shares, 24,096 initial public offering options and 41,446 resulting issuer options) is determined based on the fair value of the equity interest EBN would have had to give to the owners of CEBI, before the reverse acquisition, to provide the same percentage equity interest in the combined entity that results from the reverse acquisition, and is recorded as an increase in common shares and contributed surplus respectively in the consolidated statement of financial position.

The net assets of CEBI acquired on June 18, 2021 are as follows:

Cash	$25,000
Accounts receivable	25,000
Accounts payable	(6,500)
Net assets acquired	$43,500

In accordance with IFRS 2, Share-Based Payments, any excess of the fair value of the shares issued by the Company over the value of the net monetary assets of CEBI, is recognized in the consolidated statements of comprehensive loss.

The consideration transferred in excess of net assets acquired in connection with the reverse acquisition was $1,416,407.

Overall Performance

Select financial and operational highlights include the following:

- Total Revenue decreased 56% in Q1 2022 compared to Q1 2021. The decrease in revenue was primarily attributable to constrained working capital within the quarter, prior to the transaction, which resulted in the inability to procure inventory for sale.
- Gross profit decreased by 84% in Q1 2022 compared to Q1 2021. This was due to lower sales within the quarter and an increased proportion of total sales coming from the Moto360 product line at a lower gross margin.
- Net loss of $2.7 million in Q1 2022 decreased from $2.9 million in Q1 2021. The decrease in net loss was due to the focus on controlling expenses in response to the ongoing COVID-19 pandemic as well as fair value gains on financial instruments in Q1 2022.
- The Company notes that global supply constraints on semiconductor chip manufacturing has impacted the operations and profitability of the Company and will continue to do so in the future, the impact of which is not known at this time.
- In order to continue to meet customer demand and fulfill 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 June 30, 2021 and June 30, 2020:

	Three months ended June 30, 2021	**Three months ended June 30, 2020**
Total revenue	1,115,143	2,553,316
Net loss	(2,689,563)	(2,929,247)
Total comprehensive loss	(2,755,889)	(3,237,666)
Basic and Diluted Loss per share	(0.14)	(0.20)

	June 30, 2021	**March 31, 2021**
Total assets	17,594,938	13,139,765
Total liabilities	7,208,640	17,072,413

Results of Operations

The following section provides an overview of our financial performance during the three month period ended June 30, 2021 as compared to the three month period ended June 30, 2020.

	Three months ended			
	June 2021	**June 2020**	**$ Change**	**% Change**
Total revenue	**1,115,143**	**2,553,316**	**(1,438,173)**	-56%
Cost of products and services	997,413	1,798,722	(801,309)	-45%
Gross Profit	**117,730**	**754,594**	**(636,864)**	-84%
Expenses				
Marketing	146,660	560,353	(413,693)	-74%
Selling and distribution	154,010	249,453	(95,443)	-38%
Wages and contractors	814,399	879,737	(65,338)	-7%
Royalties and license fees	123,515	156,283	(32,768)	-21%
Technology and related	102,747	123,451	(20,704)	-17%
Professional fees	358,864	395,501	(36,637)	-9%
General and administrative	86,900	66,357	20,543	31%
Depreciation	61,339	62,467	(1,128)	-2%
Amortization	242,981	325,768	(82,787)	-25%
Stock-based compensation	32,053	114,702	(82,649)	-72%
(Gain) Loss on foreign exchange	(23,359)	141,374	(164,733)	-117%
Operating loss	**(1,982,379)**	**(2,320,855)**	338,476	-15%
Finance costs	(1,432,224)	(586,345)	(845,879)	144%
Fair value gain (loss) on financial instruments	2,141,447	(22,047)	2,163,494	-9813%
Listing expense	(1,416,407)	-	(1,416,407)	-100%
Loss before income tax	**(2,689,563)**	**(2,929,247)**	239,684	-8%
Income tax expense (recovery)	-	-	-	0%
Net loss	**(2,689,563)**	**(2,929,247)**	239,684	-8%

Revenues

Total Revenue decreased 56% in Q1 2022 from Q1 2021. The decrease in revenue was primarily attributable to constrained working capital within the quarter, prior to the transaction, which resulted in the inability to procure inventory for sale.

Cost of products and services

Cost of products and services for the three month period decreased by 45% in Q1 2022 from Q1 2021. Cost of products and services as a percentage of sales were 89.44% for Q1 2022 from 70.45% for Q1 2021. The increase was due to increased sales of the Moto360 product line in the period which has lower margins than the Kodak product line.

Marketing

Marketing expenses for the three month period decreased 74% over the same period last year. Marketing expenses for the three month period decreased from the prior year as a result of reduced Amazon marketing expenditures correlated to reduced sales in the period as well as reduced new product marketing expenditures in the current period as compared to the prior year when the Company was incurring new product marketing expenditures in relation to the launch of the Moto360 product line.

Selling and distribution

Selling and distribution expenses decreased 38% in Q1 2022 from Q1 2021. The decrease in the three month period was due primarily to decreased Amazon marketplace fees associated with decreased sales.

Wages and consulting

Wages and consulting decreased by 7% during Q1 2022 as compared to Q1 2021. The decrease between Q1 2022 and Q1 2021 was due to decreased consulting expenditures in the Q1 2022 period.

Royalties and license fees

Royalties and license fees in Q1 2022 decreased 21% over the Q1 2021 period. The decrease in royalties is primarily a result of a reduction in Kodak and Motorola royalties associated with the Company negotiating a modification to the agreements for royalty payments in calendar 2021 to reduce royalty expenses as a result of the COVID-19 pandemic.

Technology and related

Technology and related expenses decreased by 17% in Q1 2022 from Q1 2021. The decrease in technology and related expenditures from Q1 2021 to Q1 2022 is primarily a result of cost reductions due to COVID-19.

Professional fees

Professional fees decreased by 9% in Q1 2022 from Q1 2021. The decrease in professional fees from Q1 2021 is primarily a result of professional fees associated with the reverse acquisition of CE Brands Inc. being classified as share issue costs in the current quarter which resulted in comparatively lower professional fees as compared to the prior year.

General and administrative

General and administrative expenses increased 31% in Q1 2022 from Q1 2021. The increase in the general and administrative expenses is primarily due to increased expenses associated with TSX listing fees, offset by lower rent and telephone expenses.

Depreciation

Depreciation expenses decreased 2% in Q1 2022 from Q1 2021. 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 decreased 25% in Q1 2022 from Q1 2021. Amortization expenses decreased as right-of-use assets were fully amortized as at March 31, 2021. There was no amortization expense on those assets in the current period versus the comparative period where amortization expense was recorded on those assets.

Stock-based compensation

Stock-based compensation decreased 72% Q1 2022 compared to Q1 2021. The decrease in stock-based compensation was primarily due to staff added in the 2021 period receiving fewer options than in the prior period and adjustments to stock-based compensation expense for forfeitures in the period.

Finance costs

Finance costs increased 144% in Q1 2022 compared to Q1 2021. The increase is primarily due to increased amortization of deferred financing costs, and interest expense on various debt instruments.

Fair value gain/loss on financial instruments

Fair value gain/loss increased by 9813% in Q1 2022 compared to Q1 2021 primarily due to the maturity of a convertible debenture note during the quarter and the associated fair value gain on convertible debenture derivatives.

Listing Expense

Listing expense increased 100% in Q1 2022 compared to Q1 2021 due to closing of the previously disclosed reverse acquisition transaction.

Summary of Quarterly Results

Quarterly information is not provided because quarterly financial statements were not previously prepared for each of the eight most recently completed quarters.

Liquidity and Capital Resources

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

	June 30, 2021	March 31, 2021
Cash	5,414,642	397,337
Total current assets	7,737,223	2,834,632
Total current liabilities	5,796,376	15,683,663
Working Capital	1,940,847	(12,849,031)

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.

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 surplus, however 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 June 30, 2021 is uncertain. Until this time, management will have to raise funds by way of debt or equity issuances or improve profitability.

Cash Flows

	Three months ended	
	June 30, 2021	**June 30, 2020**
Cash flow from (used) in:		
Operating activities	(5,227,427)	(726,327)
Investing activities	-	-
Financing activities	10,247,949	577,837
Effect of change in foreign exchange rates on cash	(3,217)	220,519
Net increase (decrease) in cash	5,017,305	72,029
Cash, beginning of period	397,337	521,060
Cash, end of period	5,414,642	593,089

Operating Activities

During the three month period ended June 30, 2021, cash used in operating activities was $5.2 million, compared to $0.7 million for the three month period ending June 30, 2020. The change in cash flow used in operating activities in comparative quarters was due primarily to decreased sales, changes in non-cash working capital, offset in part by decreased net loss in Q1 2022.

Financing Activities

During the three month period ended June 30, 2021, cash from financing activities was $10.2 million, compared to $0.6 million for the three month period ended June 30, 2020. The increase in cash flow from financing activities was due primarily to proceeds received in connection with the public offering, offset in part by repayments of various long-term debt instruments.

Commitments

The Company does not have any commitments for capital expenditures as of June 30, 2021. 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	1,321,123	3,648,484	3,359,936	8,329,543

Outstanding Share Data

The following equity or voting securities, and securities are convertible into, or exercisable or exchangeable for, voting or equity securities, of CE Brands Inc. are outstanding as at August 24, 2021:

- 22,713,054 Common Shares;
- there are 7,302,307 warrants to purchase an additional Common Share; and
- there are 1,765,073 options to purchase an additional Common Share

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.

	June 30, 2021	March 31, 2021
Due to current/former shareholders and officers	313,889	318,684

At June 30, 2021, accounts payable and accrued liabilities includes $56,113 of amounts owed to directors and officers of the Company (March 31, 2021 – $418,608).

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 June 30, 2021 and March 31, 2021 is as follows:

	June 30, 2021	**March 31, 2020**
Cash	5,414,642	397,337
Accounts receivable	192,314	243,490
Total	5,606,956	640,827

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 $132,609 and $214,151 of accounts that are greater than 60 days old as at June 30, 2021 and March 31, 2021, respectively. The Company has recognized an expected credit loss of $7,648 and $2,359 on the accounts receivable at June 30, 2021 and March 31, 2021, 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 $41,136 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 $45,884 increase on the net loss and accumulated deficit of the Company.

Subsequent Events

On July 2, 2021, and July 6, 2021, the Company made cash payments of $170,500 and $79,500, respectively, to settle outstanding promissory notes.

On July 6, 2021, the Company settled the outstanding US$1,388,888 convertible note and associated accrued interest. This was settled for a cash payment of $1,964,629 (US$1,569,443) to repay principal and accrued interest.

On July 30, 2021, the Company entered into a contract for the sale of US$1,400,000 in future receivables for US$1,250,000 to fund the growth of product orders and manufacturing by CE Brands. This contract has a fee of 12% and is paid back monthly at a retrieval percentage of 8.5% for August 2021 and September 2021, and 15% going forward.

Update on Previously Disclosed Material Forward-Looking Information

The Company notes that as a result of the timing of the close of the transaction, there has not been enough time to determine if actual sources and uses of funds of the Company have differed or will differ materially from the sources and uses of funds previously disclosed in the prospectus have differed materially.

Other Risk Factors

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

COVID-19 - On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. The Company’s operations have been negatively impacted by the regional and global outbreak of COVID-19, and the continued length of time of this impact is unknown. Any quarantines, supply chain and labor shortages or other disruptions to the Company’s operations, or those of its customers, could adversely impact the Company’s revenues, ability to provide its products and services and operating results.

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 June 30, 2021. The deficit may increase in the near term, as the Company continues its product development, establishes sales channels for its new products and business expansion.

History of Negative Cash Flow – The Company has a history of negative cash flow, including negative cash flow from operating activities in its most recently completed three month financial period (i.e. the quarter ended June 30, 2021). Although the Company 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. Negative cash flow or the failure to become profitable in any future fiscal period could result in an adverse material change to the Company.

Product 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, Taiwan and Malaysia, as such products may be subject to changing tariffs applied by selling countries to the countries of origin with little or no warning. This can affect product margins and competitiveness of sales with local manufacturers.

Seasonality – The Company believes its transaction-based revenues will begin to represent an increasing proportion of its overall revenue mix over time, and expects seasonality of its quarterly results to vary. The Company may experience seasonal fluctuations for a variety of reasons, many of which are outside the Company's control.

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.

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

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

IP Rights - The Company is reliant on the ability to develop new or improved technologies, manufacture products, and to successfully obtain patents or other proprietary or statutory protection for these technologies and products in Canada and other jurisdictions. The Company seeks to patent concepts, components, protocols and other inventions that the Company considers having commercial value or that will likely give the Company a technological advantage. The Company owns licenses to an array of patented and patent pending technologies relating to air purifiers in Canada and overseas. The Company continues to devote significant resources to protecting the proprietary technology. However, the Company may not be able to develop technology that is patentable, patents may not be issued in connection with our pending applications, and claims allowed may not be sufficient to provide the Company with exclusive protection for its technology. Furthermore, any patents or licenses to patents issued to the Company could be challenged, invalidated, or circumvented and may not provide proprietary protection or a competitive advantage to the Company.

Competition - The Company is engaged in an industry that is highly competitive and rapidly evolving. In order to retain and attract new customers and brand partnerships, the Company will need to continue to execute its orders at competitive prices. The competitors of the Company will range from small venture backed enterprises with limited resources to multi-national technology companies with larger customer bases. The multi-national technology companies will have more established name recognition and substantially greater financial, marketing, technological and personnel resources than the Company will have. These larger and better capitalized competitors may have access to capital in greater amounts and at lower costs than the Company will have access to, and thus, may be better able to respond to changes in the technology, consumer and household goods markets. The Company's competitors may be able to acquire skilled professionals, fund internal growth, and offer products and services at lower prices than the Company. As a result, the Company's competitors may deliver new products and solutions earlier, or provide more attractively priced, enhanced or better-quality products than the Company.

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

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

Dilution – The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company that may be dilutive.

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

Litigation Risk - Many aspects of the Company's business will require the Company to accept certain risks, including risks that expose the Company to liability under the Law. These risks can include, among others, disputes over trade terms with customers and other market participants, customer losses resulting from product failure and poor customer service. Even if the Company prevails in any proceedings, the Company could still incur significant legal expenses defending against the claims, even those without merit. Meritless claims can cause damage to the Company's reputation or raise concerns among its customers and existing partnerships. As a result, the Company may feel compelled to settle claims, including those without merit, at a significant cost. The initiation of any proceeding against the Company could result in an adverse material change to the Company.

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

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

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

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

Tax Implications - The Company is subject to income taxes in both Canada and numerous foreign jurisdictions. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although the Company believes their tax estimates are reasonable, the final determination of any tax audits and litigation 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 Company. This will also have an impact on the overall financial condition of the Company.

Credit Risk - Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the receivables of the Company from customers. The exposure of the Company to credit risk is influenced by the individual characteristics of each customer. Although the Company establishes an allowance for doubtful accounts that represents its estimate of potential credit losses in respect of accounts receivables and historically has not experienced any significant losses related to individual customers or groups of customers in any particular geographical area, there is no assurance that the allowance for doubtful accounts will be sufficient to cover credit losses in the future which could result in an adverse material change to the Company.

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

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

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

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, 2021 and in the unaudited condensed consolidated interim financial statements as at June 30, 2021 and June 30, 2020 for detailed critical accounting estimates.