

CE Brands Inc.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE INTERIM PERIOD ENDED SEPTEMBER 30, 2021

The following Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of the operations of CE Brands Inc. ("**CE Brands**", the "**Company**", "**us**", "**we**" or "**our**") (TSXV: CEBI; CEBI.WT) constitutes management's review of the Company's operations, financial performance and financial condition for the three and six month periods ended September 30, 2021 and September 30, 2020. References in this MD&A to the "Company" refer to eBuyNow eCommerce Ltd. ("**EBN**") and its direct or indirect subsidiaries for information provided in respect of any period prior to June 18, 2021, which is the date on which the Qualifying Transaction (as defined below) was completed pursuant to which the business of EBN became the business of CE Brands. Subsequent to June 18, 2021, the "Company" refers to the consolidated operations of CE Brands Inc. and its direct or indirect subsidiaries and the historical operations of EBN and its direct or indirect 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 and six month period ended September 30, 2021 and September 30, 2020, as well as the audited financial statements of EBN 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. The Company's financial statements are available on SEDAR at www.sedar.com.

This MD&A is dated November 23, 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" within the meaning of applicable Canadian securities laws. In general, forward-looking information is disclosure about future conditions, courses of action, and events, including information about prospective financial performance or financial position. The use of any of the words "anticipates", "believes", "expects", "intends", "plans", "will", "would", and similar expressions are intended to identify forward-looking information. Forward-looking statements included or incorporated by reference in this MD&A include, without limitation, with respect to:

- the likelihood that global supply constraints will continue to occur and impact the Company;
- the need for the Company to pursue additional sources of financing;
- the level of demand for the Company's products and the Company's ability to increase production to meet such expected demand;
- the intention of the Company to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities;
- the Company's expectations with respect to trends or fluctuations in liquidity as a result of seasonality;
- the Company's expectations with respect to liquidity risks associated with the financial instruments of the Company;
- the intention of the Company to manage its capital structure and make changes thereto in response to changes to economic conditions and risks associated with the nature of the business;

- the Company's ability to generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to September 30, 2021, and the need for the Company to raise funds by way of equity or debt issuances or take other measures to improve profitability;
- the Company's intention to closely monitor cash and take necessary measures to manage its liquidity risk, such as reducing spending, improving profitability and raising funds as required;
- the likelihood of the Company employing the use of various financial instruments to manage exposure to foreign exchange risk;
- the use of funds from the Offering (as defined below); and
- estimated selling, general and administrative expenses.

Additionally, this MD&A includes forward-looking statements within the meaning of applicable securities laws, including with respect to, among other things, the Company's expectation that (i) revenues for the three-month period ending March 31, 2022 will be approximately \$8-9 million, and (ii) revenues for the 12 month period ending December 31, 2022 will be approximately \$50-60 million.

The forward-looking information is based on certain key expectations and assumptions, including the timing of the resumption of manufacturing operations at the Company's partner factories in Asia, the timing of product shipments and deliveries, forecast sales price and sales volumes of the Company's products and the ability of the Company to secure additional sources of financing in 2022.

Although CE Brands 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 CE Brands cannot give any assurance that it will prove to be accurate. By its nature, forward-looking information is subject to various risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed in this press release. Such risks and uncertainties include, without limitation: the risks described in the "Risk Factors" section of this MD&A; the impact of the evolving Covid-19 pandemic on the Company's business, operations and sales; reliance on third party manufacturers and suppliers; the Company's ability to stabilize its business and secure sufficient capital; the Company's available liquidity being insufficient to operate its business and meet its financial commitments, which could result in the Company having to refinance or restructure its debt, sell assets or seek to raise additional capital, which may be on unfavorable terms; the inability to implement the Company's objectives and priorities for 2021 and beyond, which could result in financial strain on the Company and continued pressure on the Company's business; risks associated with developing and launching new products; increased indebtedness and leverage; the fact that historical and projected financial information may not be representative of the Company's future results; the inability to position the Company for long-term growth; risks associated with issuing new equity including the possible dilution of the Company's outstanding common shares; the value of existing equity following the completion of any financing transaction; the Company defaulting on its obligations, which could result in the Company having to file for bankruptcy or undertake a restructuring proceeding; the Company being put into a bankruptcy or restructuring proceeding; and the risk factors included in CE Brand's other continuous disclosure documents available on SEDAR at www.sedar.com. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date of this MD&A, and to not use such forward-looking information other than for its intended purpose. CE Brands undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events, or otherwise, except as required by applicable securities law.

COVID-19

The Company continues to closely monitor ongoing developments related to COVID-19. The global response to COVID-19 has resulted in, among other things, border closures, severe travel restrictions, supply-chain issues, extreme fluctuations in financial and commodity markets and staged vaccine roll-out plans. The extent to which COVID-19 or any other pandemic or public health crisis impacts or continues to impact the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision.

Basis of Presentation

In this MD&A all references to: (a) "Q2 2022" are to the three month period ended September 30, 2021; (b) "Q2 2021" are to the three month period ended September 30, 2020; (c) "YTD 2022" are to the six month period ended September 30, 2021; and (d) "YTD 2021" are to the six month period ended September 30, 2020. The unaudited Interim Condensed Consolidated Financial Statements and the accompanying notes for the three- and six-month periods ended September 30, 2021 and September 30, 2020, and this MD&A were reviewed by the audit committee (the "**Audit Committee**") of the Company's board of directors (the "**Board**") and approved by the Board on November 23, 2021 on the recommendation of the Audit Committee.

Going Concern

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

At September 30, 2021, the Company had not achieved profitable operations since its inception and had accumulated a deficit of \$33,093,831 (March 31, 2021 – \$28,335,419), incurred a net loss of \$2,072,350 and \$4,758,412 for the three months and six months ended September 30, 2021 (\$4,374,640 three months ended and \$7,303,886 six months ended September 30, 2020), and cash flow used in operating activities for the six months ended September 30, 2021 was \$8,428,970 (six months ended September 30, 2020 - \$1,976,623). At September 30, 2021, the Company had a working capital deficiency of \$387,303 (March 31, 2021 – deficiency of \$12,849,031). The Company also has commitments of \$3,166,987 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 September 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*. 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 the Company pays a royalty to the trademark holder for the authorization to produce, market, and sell products under the licensed trademark brand.

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

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

The Company's headquarters are located in Calgary, Alberta and the address of its head office is 4300 Bankers Hall West, 888 - 3rd Street S.W., Calgary, Alberta, T2P 5C5.

On June 18, 2021, CE Brands acquired all of the outstanding shares of EBN by way of a three-cornered amalgamation (the "**Qualifying Transaction**"), with the resulting issuer being named CE Brands. Upon completion of the Qualifying Transaction, the shareholders of CE Brands 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)*.

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 was changed to “CE Brands Inc” (the “Resulting Issuer”);
- The common shares of CE Brands were 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”) were consolidated on a five-for-one basis;
- A wholly-owned subsidiary of CE Brands and EBN amalgamated under the British Columbia Business Corporations Act (BCBCA) and was continued as one corporation; and
- Pursuant to the amalgamation, the holders of EBN Shares exchanged 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 which constituted a Qualifying Transaction (as defined in the policies of the TSX Venture Exchange) for CE Brands.

Immediately before the Qualifying Transaction, CE Brands consolidated its common shares on a 20.75-for-one basis. The then outstanding stock options and warrants of CE Brands were also consolidated on a 20.75-for-one basis and holders were entitled 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 entitled 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 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 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 to former security holders of EBN: 18,141,970 Common Shares; 1,395,000 options to purchase Common Shares; 3,230,342 warrants to purchase Common Shares; US\$1,388,888 (CAD\$1,964,629) aggregate principal amount of unsecured notes that were 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.

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, 1,793,073 options to purchase 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 were 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.

Under IFRS, the share exchange was considered to be a share-based payment in substance. That is, the share exchange was measured at the fair value of the company acquired. Accordingly, the share exchange has been accounted for as a reverse acquisition and no goodwill has been recorded. Under reverse acquisitions, the post reverse acquisition comparative historical financial statements of the legal acquirer, CE Brands, are those of the legal acquiree, EBN, which is considered the accounting acquirer. The financial statements to which this MD&A relates 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 Qualifying 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 CE Brands pursuant to the issuance of CE Brands' Common Shares to the shareholders of EBN, representing a 98% majority interest in CE Brands. It has been determined that EBN is the accounting acquirer and, consequently, the transaction has been accounted for as a reverse acquisition of CE Brands by EBN. As CE Brands does not meet the definition of a business, the Qualifying Transaction has been 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, CE Brands of \$1,459,907 (or 414,458 common shares, 24,096 initial public offering options and 41,446 resulting issuer options) has been determined based on the fair value of the equity interest EBN would have had to give to the owners of CE Brands, before the reverse acquisition, to provide the same percentage equity interest in the combined entity that results from the reverse acquisition, and was recorded as an increase in common shares and contributed surplus respectively in the consolidated statement of financial position.

The net assets of CE Brands acquired on June 18, 2021 were 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 CE Brands, has been 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 to \$1.4 million in Q2 2022 from \$2.4 million in Q2 2021, representing a decrease of 42%. Total revenue decreased to \$2.5 million in YTD 2022 from \$5.0 million in YTD 2021, representing a decrease of 49%. The decrease in revenue for the three month period was primarily attributable to the global supply chain issues affecting the Company and the consumer electronics industry generally, which resulted in delays in the Company procuring inventory for sale. The decrease in revenue for the six month period was primarily attributable to constrained working capital within Q1 2022, prior to the Qualifying Transaction, which resulted in the inability to procure inventory for sale, combined with the aforementioned supply chain constraints in Q2 2022.
- Gross profit decreased to \$0.5 million in Q2 2022 from \$0.6 million in Q2 2021, representing a decrease of 18%. Gross profit decreased to \$0.6 million in YTD 2022 from \$1.3 million in YTD 2021, representing a decrease of 56%. This was due primarily to lower sales within the quarter, offset in part by an increase in the proportion of total sales coming from the Kodak baby product line at a higher gross margin.
- Net loss decreased to \$2.1 million in Q2 2022 from \$4.4 million in Q2 2021, representing a decrease of 53%. Net loss decreased to \$4.8 million in YTD 2022 from \$7.3 million in YTD 2021, representing a decrease of 35%. The decrease in net loss in both the three and six month periods was due to the focus on controlling expenses in response to the ongoing COVID-19 pandemic, a decrease in finance costs as the Company used the proceeds from the June 18, 2021 public offering, to repay outstanding debt which resulted in lower interest costs, as well as fair value gains on financial instruments in Q2 2022 as a result of the repayment of debt. This was offset in part in the six month period by the listing expense on the reverse acquisition.
- Global supply constraints on semiconductor chip manufacturing and the global supply chain slowdown have impacted the operations and profitability of the Company and are expected to continue to impact operations and profitability 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 anticipates pursuing additional financing for working capital and general corporate purposes, principally to ensure the Company has sufficient financing on hand for the purchase of inventory.

Outlook

Consistent with the operational and financial update provided on October 21, 2021 and taking into account supply chain disruptions, labour shortages and the ongoing direct and indirect effects COVID-19, the Company continues to expect to generate approximately \$8-9 million in revenues for the three-month period ending March 31, 2022, primarily driven by the initial sales of the Motorola Moto Watch 100 and the Kodak Infinio F882 Outdoor Security Monitor.

With the additional products planned to launch in early 2022, the Company continues to expect to generate revenue for calendar 2022 in the \$50-60 million range. See “Forward-Looking Information”.

While the supply chain disruptions are meaningful, the Company is attempting to mitigate the impacts through supply-chain improvements, reductions in SG&A and strategically prioritizing the Company’s product portfolio to conserve cash and improve near-term profitability. The Company continues to believe it is in the early stages of improved sales momentum through increased product deliveries and sales. The recent additions to the Company’s senior operations team in Hong Kong and China are resulting in improvements to supply chain management and positioning the Company to deliver on its upcoming product launches.

If global supply chain issues persist into the future, the Company anticipates that it will from time to time pursue additional financing opportunities to address the Company’s working capital and other financing needs and support the Company’s product launches and sales. See “Forward-Looking Information”.

Selected Financial Information

The following tables summarize certain financial data derived from the financial statements of the Company for the interim period ended September 30, 2021 and September 30, 2020:

	Three months ended September 30		Six months ended September 30	
	2021	2020	2021	2020
Total revenue	1,395,170	2,402,232	2,510,313	4,955,548
Net loss	(2,072,350)	(4,374,640)	(4,758,412)	(7,303,886)
Total comprehensive loss	(2,010,062)	(4,573,855)	(4,765,950)	(7,811,520)
Basic and Diluted Loss per share	(0.09)	(0.29)	(0.23)	(0.49)

	September 30, 2021	March 31, 2021
Total assets	13,843,730	13,139,765
Total liabilities	5,420,109	17,072,413

Results of Operations

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

	Three months ended September 30		Six months ended September 30	
	2021	2020	2021	2020
Total revenue	1,395,170	2,402,232	2,510,313	4,955,548
Cost of products and services	941,499	1,850,347	1,938,911	3,649,069
Gross Profit	453,671	551,885	571,402	1,306,479
Expenses				
Marketing	263,321	530,125	409,981	1,090,478
Selling and distribution	157,734	368,316	311,745	617,769
Wages and contractors	1,202,152	868,451	2,016,551	1,748,188
Royalties and license fees	297,889	246,601	421,404	402,887
Technology and related	122,807	174,455	225,554	297,906
Professional fees	122,201	163,061	481,065	558,562
General and administrative	194,314	83,463	281,215	149,820
Depreciation	78,750	62,468	140,088	124,935
Amortization	213,034	290,565	456,015	616,333
Stock-based compensation	42,685	124,602	74,738	239,304
(Gain) Loss on foreign exchange	(117,557)	(43,238)	(144,418)	98,136
Operating loss	(2,123,659)	(2,316,984)	(4,102,536)	(4,637,839)
Finance costs	13,367	(2,138,052)	(1,418,858)	(2,724,397)
Fair value gain on financial instruments	37,942	313,888	2,179,389	313,888
Gain on warrant obligation settlement	-	(233,491)	-	(255,538)
Listing expense	-	-	(1,416,407)	-
Loss before income tax	(2,072,350)	(4,374,640)	(4,758,412)	(7,303,886)
Income tax expense (recovery)	-	-	-	-
Net loss	(2,072,350)	(4,374,640)	(4,758,412)	(7,303,886)

Revenues

Total Revenue decreased 42% in Q2 2022 compared to Q2 2021 and decreased 49% YTD 2022 compared to YTD 2021. The decrease in revenue for the three month period was primarily attributable to global supply chain issues, which resulted in delays in the Company procuring inventory for sale. The decrease in the six month period was primarily attributable to constrained working capital within Q1 2022, prior to the Qualifying Transaction, which resulted in the inability to procure inventory for sale, combined with the aforementioned supply chain constraints in Q2 2022.

Cost of products and services

Cost of products and services for the three month period decreased by 49% in Q2 2022 from Q2 2021, and for the six month period decreased by 47% in YTD 2022 from YTD 2021. Cost of products and services as a percentage of sales for the three month period were 67% and for the six month period were 77% in YTD 2022, compared to 77% and 74% in the respective comparative periods.

The cost of products and services for Q2 2022 decreased as compared to Q2 2021. The lower cost of products in the three month period was due to lower sales and the decrease in cost of products as a percentage of sales was due to a reduced proportion of total sales coming from the Moto360 watch, as the Company has increased sales of higher margin products such as Kodak baby monitors. The cost of products and services for YTD 2022 decreased as compared to YTD 2021, as a result of decreased sales in the current period. Cost of products as a percentage of sales were consistent YTD 2022 as compared to YTD 2021.

Marketing

Marketing expenses for the three month period decreased 50% in Q2 2022 from Q2 2021, and for the six month period decreased by 62% in YTD 2022 from YTD 2021. Marketing expenses for the three and six month period decreased from the prior year as a result of 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. Further contributing to the decrease are lower Amazon Pay-per-Click marketing expenditures which are a result of decreased Amazon sales traffic in the current year periods.

Selling and distribution

Selling and distribution expenses for the three month period decreased 57% in Q2 2022 from Q2 2021, and for the six month period decreased by 50% in YTD 2022 from YTD 2021. The decrease in selling and distribution costs is primarily attributable to decreased Amazon marketplace fees associated with decreased sales in the current year periods.

Wages and consulting

Wages and consulting for the three month period increased 38% in Q2 2022 from Q2 2021, and for the six month period increased by 15% in YTD 2022 from YTD 2021. The increase in both the three month and six month period is due to the closing of the Qualifying Transaction in June, leading to an increase in hiring as the company began to scale up staffing requirements to support expected future growth.

Royalties and license fees

Royalties for the three month period increased 21% in Q2 2022 from Q2 2021, and for the six month period increased by 5% in YTD 2022 from YTD 2021. The increase in royalties in the three month period is a result of an increase in minimum contractual royalty payments. The increase in the six month period is due to contractual royalty payment increases, offset by reduced royalties in Q1 2021 due to a modification to the agreements for royalty payments to reduce royalty expenses as result of the COVID-19 pandemic.

Technology and related

Technology expenses for the three month period decreased by 30% in Q2 2022 from Q2 2021, and for the six month period decreased by 24% in YTD 2022 from YTD 2021. The decrease in technology expenses in the three and six month periods as compared to prior year is primarily a result of cost reductions due to COVID-19, including the cancellation of a cloud storage agreement offset by higher amazon web service fees.

Professional fees

Professional fees for the three month period decreased 25% in Q2 2022 from Q2 2021, and for the six month period decreased 14% in YTD 2022 from YTD 2021. The decrease in professional fees for the three month period is primarily due to fees for accounting services for ongoing projects. The decrease in professional fees for the six month period is primarily a result of professional fees associated with the reverse acquisition of CE Brands being classified as share issue costs in Q1 2022 which resulted in lower professional fees as compared to the prior year, which offset the increase in fees for accounting services associated with ongoing projects.

General and administrative

General and administrative expenses for the three month period increased 133% in Q2 2022 from Q2 2021, and for the six month period increased by 88% in YTD 2022 from YTD 2021. The increase in the general and administrative expenses is primarily due to increased expenses associated with the listing for trading of CE Brands' Common Shares on the TSX Venture Exchange in June 2021.

Depreciation

Depreciation expenses for the three month period increased by 26% in Q2 2022 from Q2 2021, and for the six month period increased by 12% in YTD 2022 from YTD 2021. The increase in depreciation is primarily a result of capital additions in Q3 2021 which have increased the depreciable base of the Company's property, plant and equipment ("PP&E") in the current year as compared to the prior year periods.

Amortization

Amortization expenses for the three month period decreased 27% in Q2 2022 from Q2 2021, and for the six month period decreased 26% in YTD 2022 from YTD 2021. Amortization in the three and six month periods in the current year is lower as compared to the prior year comparative periods due to a reclassification of right of use asset amortization expense into depreciation expense in the third quarter of 2021.

Stock-based compensation

Stock based compensation for the three month period decreased 66% in Q2 2022 from Q2 2021, and for the six month period decreased by 69% in YTD 2022 from YTD 2021. The decrease in stock-based compensation was primarily due to fewer options issued in current year periods and adjustments to stock-based compensation expense for forfeitures in the period.

Finance costs

Finance costs for the three month period decreased 101% in Q2 2022 from Q2 2021, and for the six month period decreased by 48% in YTD 2022 from YTD 2021. The decrease is due to the repayment of various debt instruments at the end of Q1 2022, resulting in lower costs associated with amortization of deferred financing costs and interest.

Fair value gain/loss on financial instruments

Fair value gain/loss on financial instruments for the three month period decreased 88% in Q2 2022 from Q2 2021, and for the six month period increased 594% in YTD 2022 from YTD 2021. The three month decrease is due to the maturity of the majority of outstanding debt instruments in the prior quarter. The six month increase is primarily due to the maturity of a convertible debenture note during the first quarter of 2022 and the associated fair value gain on convertible debenture derivatives.

Listing expense

Listing expense increased 100% YTD 2022 from YTD 2021 due to closing of the Qualifying Transaction.

Summary of Quarterly Results

	Q2 2021	Q1 2021
Total revenue	1,395,170	1,115,143
Net loss	(2,072,350)	(2,689,563)
Total comprehensive loss	(2,010,062)	(2,755,889)
Basic and Diluted Loss per share	(0.09)	(0.14)

Quarterly information prior to Q1 2021 is not provided because quarterly financial statements were not previously prepared for each of the six most recently completed quarters prior to that period.

Total revenue has increased and Net loss has decreased quarter over quarter primarily as a result of increased sales of baby monitors as the proceeds of the Qualifying Transaction resulted in the Company having the working capital required to procure inventory for sale. Further contributing to the decrease in net loss was lower cost of products and services as a percentage of sales as the Company increased sales of higher margin products in the current period.

Liquidity and Capital Resources

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

	September 30, 2021	March 31, 2021
Cash	1,006,778	397,337
Total current assets	3,978,119	2,834,632
Total current liabilities	4,365,422	15,683,663
Working Capital	(387,303)	(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 risks associated with the nature of the business. In order to maintain or adjust the capital structure, the Company may from time-to-time issue shares, seek debt financing and adjust its spending to manage its current and projected capital structure.

The Company does not expect 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 deficit and whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to September 30, 2021 is uncertain. Until the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due, management will have to attempt to raise funds by way of debt or equity issuances, which may not be possible on acceptable terms, in a timely manner or at all, or attempt to take further measures to improve profitability. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Refer to "Going Concern".

Cash Flows

	Six months ended	
	September 30, 2021	September 30, 2020
Cash flow from (used) in:		
Operating activities	(8,428,970)	(1,976,623)
Investing activities	-	-
Financing activities	9,035,922	2,053,129
Effect of change in foreign exchange rates on cash	2,489	191,408
Net increase (decrease) in cash	609,441	267,914
Cash, beginning of period	397,337	521,060
Cash, end of period	1,006,778	788,974

Operating Activities

During the six month period ended September 30, 2021, cash used in operating activities was \$8.4 million, compared to \$2.0 million for the six month period ended September 30, 2020. The change in cash flow used in operating activities was due primarily to decreased sales and changes in non-cash working capital associated with the repayment of accounts payables balances with proceeds of the Offering.

Financing Activities

During the six month period ended September 30, 2021, cash from financing activities was \$9.0 million, compared to \$2.0 million for the six month period ended September 30, 2020. The increase in cash flow from financing activities was due primarily to proceeds received in connection with the 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 September 30, 2021. The Company has entered into key licensing contracts on substantially all products. Under these arrangements, 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	1,367,138	3,974,399	2,851,414	8,192,951
Purchase orders placed	1,799,849	-	-	1,799,849
	3,166,987	3,974,399	2,851,414	9,992,800

Outstanding Share Data

The following equity or voting securities, and securities that are convertible into, or exercisable or exchangeable for, voting or equity securities, of CE Brands were outstanding as at September 30, 2021:

- 22,715,554 Common Shares;
- \$1,174,785 in convertible founders loans which can be converted into 313,277 Common Shares of the Company;
- 7,267,807 warrants to purchase one Common Share; and
- 1,745,073 options to purchase one Common Share.

The following equity or voting securities, and securities that are convertible into, or exercisable or exchangeable for, voting or equity securities, of CE Brands were outstanding as at November 23, 2021:

- 25,215,554 Common Shares;
- \$1,174,785 in convertible founders loans which can be converted into 313,277 Common Shares of the Company;
- \$4,000,000 in Convertible Notes which can be converted into 2,666,667 Common Shares of the Company;
- 7,896,307 warrants to purchase one Common Share; and
- 1,745,073 options to purchase one 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.

	September 30, 2021	March 31, 2021
Due to current/former shareholders and officers	322,969	318,684

At September 30, 2021, accounts payable and accrued liabilities includes \$165,750 of amounts owed to directors and officers of the Company (March 31, 2021 – \$418,608).

As further described under “Subsequent Events” below, on November 12, 2021 CE Brands completed a Debt Financing (as defined below) which the Board determined constituted a “related party transaction” for the purposes of Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special*

Transactions (“**MI 61-101**”), as it involved the Company issuing securities to and borrowing money from entities over which Vesta Wealth Partners Ltd. (“**Vesta**”) exercises certain discretionary control. The Board determined Vesta to be a related party of the Company pursuant to MI 61-101 as a result of Mr. Jared Wolk, a director of the Company, having certain discretionary investment decision-making control in respect of Vesta. The Debt Financing was exempt from both the formal valuation requirements and minority approval requirements of MI 61-101 for related party transactions by virtue of Sections 5.5(g) and 5.7(e) of MI 61-101. A further discussion and description of the review and approval process of the Board and other information required by MI 61-101 in connection with the Debt Financing is set forth in the Company’s material change report dated November 9, 2021 and filed under the Company’s SEDAR profile at www.sedar.com.

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

	September 30, 2021	March 31, 2021
Cash	1,006,778	397,337
Accounts receivable	356,678	243,490
Total	1,363,456	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 \$51,014 and \$213,366 of accounts that are greater than 60 days

old as at September 30, 2021 and March 31, 2021, respectively. The Company has recognized an expected credit loss of \$12,612 and \$2,359 on the accounts receivable at September 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, the Company: (a) will not have sufficient funds to settle a transaction on the due date; (b) will be forced to sell financial assets at a value which is less than the fair value; or (c) may be unable to settle or recover a financial asset at all.

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

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

Market risk

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

Interest rate risk. Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on the 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 \$30,904 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 \$41,319 increase on the net loss and accumulated deficit of the Company.

Use of Proceeds from Offering

	Offering and Over- Allotment	Actual Use of Proceeds
Gross proceeds	17,250,000	17,250,000
Agent fees	(1,380,000)	(1,380,000)
	15,870,000	15,870,000
Payment of expenses of the offering	(750,000)	(934,260)
Net financing proceeds	15,120,000	14,935,740
Repayment of EBN Secured Debentures	(3,425,040)	(3,401,057)
Repayment of EBN Secured Note	(320,254)	(248,433)
Repayment of Cinatic Shareholder Loans	(249,000)	(250,000)
Repayment of EBN Credit Facility	(650,000)	(301,351)
Repayment of short-term debt	(3,180,746)	(3,515,587)
Working capital and general corporate purposes	(4,134,000)	(6,905,342)
Inventory	(2,546,000)	(254,958)
Product management, development and testing	(170,000)	(59,012)
Execution of new brand licenses	(344,960)	-
Unallocated funds	(100,000)	-
	-	-

The variances from the previously disclosed use of proceeds from the Offering and the actual use of proceeds is primarily attributable to an increase in funds required for working capital and general corporate purposes which were previously planned to be incurred on purchasing of inventory. This was a result of delays in inventory available for sale and higher than anticipated operating costs. These factors have resulted in lower revenues and increased expenses than previously disclosed. The Company has taken measures to address these issues, refer to “*Operational and Financial Update*” in the Subsequent Events section below.

Update on Previously Disclosed Material Forward-Looking Information

Estimated Source of Funds	Prospectus	As at September 30, 2021*	Expected differences
Revenues during next 12 months	45,359,495	27,148,364	(18,211,131)
Change in non-cash working capital during next 12 months	(5,418,712)	(5,418,712)	-
Net proceeds of the Offering	13,800,000	15,870,000	2,070,000
Total Sources of Funds	53,740,783	37,599,652	(16,141,131)
Estimated Use of Funds			
Repayment of EBN Secured Debentures	(3,425,040)	(3,401,057)	23,983
Repayment of EBN Secured Note	(320,254)	(248,433)	71,821
Repayment of Cinatic Shareholder Loans	(249,000)	(250,000)	(1,000)
Repayment of EBN Credit Facility	(650,000)	(301,351)	348,649
Repayment of short-term debt	(2,680,746)	(3,515,587)	(834,841)
Execution of new brand licenses	(134,000)	-	134,000
Estimates expenses of the Offering	(750,000)	(934,260)	(184,260)
Estimated cost of products and services	(30,597,017)	(16,007,433)	14,589,584
Estimated selling, general, and administrative expenses	(9,545,340)	(13,505,729)	(3,960,389)
Estimated interest expenses	(46,181)	(267,883)	(221,702)
Estimated R&D expenses	(170,000)	(1,155,143)	(985,143)
Estimated net repayment of debt	(2,557,482)	(2,198,137)	359,345
Estimated capital expenditures	(313,088)	-	313,088
Estimated income tax expenditures	(219,719)	-	219,719
Total Uses of Funds	(51,657,867)	(41,785,013)	9,872,854

* Figures as at September 30, 2021 include actuals from July 1, 2021 to September 30, 2021 and forecast figures for the period from October 1, 2021 to June 30, 2022.

The sources of funds are reasonably likely to differ materially from forward-looking information disclosed in the prospectus as a result of lower expected revenues in the period. The decrease in revenues is primarily due to manufacturing delays caused by COVID-19 restrictions in factories and rolling power disruptions in

China resulting in down time for factories, global supply chain issues in obtaining long-lead time items, shipping delays due to COVID-19 restrictions at shipping ports and a reduction in forecast sales revenues associated with delays in the launch of the Smart Home: Smart Lighting and Forced Air product categories as the Company has strategically prioritized its product portfolio to conserve cash and improve near-term profitability.

The uses of funds are reasonably likely to differ materially from forward-looking information disclosed in the prospectus as a result of lower estimated cost of products and services as a result of expected lower revenues in the period. Estimated selling, general and administrative expenses are likely to be materially higher than disclosed in the prospectus primarily as a result of increased shipping costs and upward revisions in expected selling, distribution and marketing costs.

Subsequent Events

Operational and Financial Update

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

The Company is proactively working with its manufacturing partners to improve production and minimize further disruptions. As part of our new profitability improvement program and to mitigate the headwinds that may persist into 2022, CE Brands will focus on conserving cash and improving near-term profitability through streamlining its current product lines, lowering unit costs and better positioning the Company to meet delivery schedules for its current products.

Private Placement

On November 12, 2021, the Company closed a private placement of senior secured convertible notes (the “**Convertible Notes**”) for aggregate committed capital of \$4,000,000, with a potential upside in the amount of \$2,000,000 (the “**Debt Financing**”). The Convertible Notes will bear interest at a rate of 15.0% per annum on outstanding principal amounts, payable on the first and second anniversary of the issue date, unless earlier redeemed or converted. Subject to approval of the TSXV, interest may be payable, at the option of the holders, either in cash or through the issuance of common shares of the Company based on the then market price of the Company’s common shares. The Convertible Notes are senior secured obligations of the Company and mature on the second anniversary of the issue date. Prior to maturity, the Convertible Notes are convertible into common shares of the Company, at the option of the holders, at a conversion price per share of \$1.50. The Convertible Notes are not redeemable by the Company prior to the first anniversary of the issue date.

The Company also completed a non-brokered private placement equity financing (the “**Equity Financing**”) with existing institutional investors for aggregate gross proceeds of \$1,400,000 at a price of \$0.56 per common share, representing the closing price on the TSX Venture Exchange on October 29, 2021.

In addition, 2,000,000 common share purchase warrants (“**Warrants**”) have been issued to the holders of the Convertible Notes with each Warrant having an exercise price of \$1.00 per share and being exercisable

on or before the second anniversary of the issue date. 112,000 finder's Warrants have been issued to certain eligible finders under the Equity Financing with each Warrant having an exercise price of \$1.00 per share and being exercisable on or before the second anniversary of the issue date.

A cash fee of \$112,000 was paid to certain eligible finders in connection with the Equity Financing.

Equity

Subsequent to September 30, 2021, 1,483,500 Warrants have expired.

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.

Additional financing needs – The Company will require additional funds to continue operations. The Company has limited financial resources, and there is no assurance that additional funding will be available to the Company to carry out the completion of all proposed activities. Although the Company has been successful in the past in obtaining financing through the sale of equity and debt securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable if available at all. 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. There can be no assurance that additional financing will be available to the Company, or, if available, that any such financing will be on acceptable terms. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Refer to “Going Concern”.

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

History of operating losses – The Company has an accumulated deficit through September 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 September 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 defects – The Company relies on third party manufacturing and from time to time there may be product defects caused by the manufacturing process, assembly or engineering. Product defects can cause significant risk.

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

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

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

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

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

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

Third party licenses – The Company relies on licenses from third parties. There can be no assurance that these third-party licenses will continue to be available to the Company on commercially reasonable terms.

The loss of, or inability to maintain, any of these licenses, may result in delays or reductions in products, which could materially adversely affect the Company's business, results of operations and financial condition.

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

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

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

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

Scaling the sales and marketing team – The Company's ability to achieve significant growth in future revenue will largely depend upon the effectiveness of its sales and marketing efforts, both domestically and

internationally. The Company has invested and intends to continue to invest in expanding its sales force but there is no assurance that the intended expansion will occur or will be successful.

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

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 conduct 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, management does not have significant experience in successfully completing acquisitions. The Company may not have sufficient management, financial and other resources to integrate companies that the Company acquires or to successfully operate new businesses. Therefore, the Company may be unable to profitably operate an expanded company. Additionally, any new businesses that the Company may acquire, once integrated with the existing operations of the Company, may not produce expected or intended results.

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

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

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

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

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.

Disclosure Controls and Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS. In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures.

Changes in internal controls over financial reporting

There were no changes in our internal controls over financial reporting in Q2 2022 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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 September 30, 2021 and September 30, 2020 for detailed critical accounting estimates.

Additional Information

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