

**AMBARI BRANDS INC.**  
**Management's Discussion & Analysis**  
**For the nine months ended September 30, 2023 and 2022**  
**(Stated in Canadian Dollars)**

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This Management's Discussion and Analysis ("MD&A") of Ambari Brands Inc. (the "Company" or "Ambari") is dated November 10, 2023. This MD&A should be read in conjunction with the condensed consolidated interim financial statements and accompanying notes for the nine months ended September 30, 2023 and 2022, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

**FORWARD LOOKING INFORMATION**

This MD&A may contain forward "forward-looking statements" that reflect the Company's current expectations and projections about its future results. Forward-looking statements are statements that are not historical facts, and include, but are not limited to: estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to future operations, capital raising initiatives, the impact of industry and macroeconomic factors on the Company's operations, and market opportunities; and statements regarding future performance.

Forward-looking statements used in this MD&A are subject to various risks, uncertainties and other factors, most of which are difficult to predict and are generally beyond the control of the Company. These risks, uncertainties and other factors may include, but are not limited to, those set forth under "*Risk Factors*" contained in the Company's Prospectus dated July 13, 2022 (the "Prospectus") that is available under the Company's profile on SEDAR+ at <https://www.sedarplus.ca/>.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks, uncertainties and other factors, including the risks, uncertainties and other factors identified in the Prospectus and this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by securities law.

**CORPORATE OVERVIEW**

Ambari Brands Inc. was incorporated under the British Columbia Business Corporations Act on June 20, 2019 and primarily carries on business through its wholly-owned subsidiary, Ambari Beauty USA, Inc. ("Ambari USA"), which was incorporated under the laws of the State of Nevada on September 27, 2019.

The Company's common shares trade on the Canadian Securities Exchange (the "CSE") under the trading symbol "AMB", the OTCQB Venture Market under the symbol "AMBBF" and the Frankfurt Stock Exchange under the symbol "Y92".

The Company's head office and the registered and records office address is 6th Floor – 905 West Pender Street, Vancouver, British Columbia, Canada, V6C 1L6.

**DESCRIPTION OF BUSINESS**

Ambari is a consumer packaged goods company and has developed a luxury, performance-driven skincare line of products based on its customized "Modern Blend". The formula combines high levels of active ingredients, smart adaptogens and broad-spectrum CBD. The Company's mission is to provide clinical-grade skincare products that provide professional results from the comfort of your home.

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To date, the Company has developed four core products – the Gold Protection22 Mask, the PM Active12 Serum, the Complex4 Hydrator Cream and the AM Active10 Essence – all of which are based on the Company's "Modern Blend" concept, which leverages the powerful combination of active ingredients, adaptogens, and broad-spectrum CBD to calm, balance, and transform the skin. In the development of its products, the Company has focused on sourcing high quality, pure ingredients to ensure the cleanest result. All Ambari products are vegan, cruelty-free, and formulated without silicones, parabens, fragrance, or phthalates.

The Company's products are currently sold directly through its e-commerce platform, as well as through select luxury retailers and international distributors.

## **RECENT DEVELOPMENTS AND OUTLOOK**

### Corporate

During the nine months ended September 30, 2023, the Company completed two non-brokered private placements for gross proceeds of \$2,000,000, as discussed in "*Share Capital*". The net proceeds are being used for marketing expenses, general working capital purposes and development of the Scarlett software, as discussed further below.

### Distribution

The Company entered into an agreement with FabFitFun ([www.fabfitfun.com](http://www.fabfitfun.com)), one of the largest subscription boxes in the USA, whereby FabFitFun distributed Ambari products to its broad base of users. The Company fulfilled FabFitFun's initial purchase order in the first quarter of fiscal 2023.

Furthering the Company's international expansion which launched in fiscal 2022, the Company entered into an agreement for the distribution of Ambari products in India through e-tailer shops and brick and mortar chains. The Company is currently in the registration process for the sale of its product line in Asia, and once complete, sales are expected to commence. The Company has experienced unexpected delays with the registration process,.

### Artificial Intelligence Software Development

In July 2023, the Company commenced research and development towards an artificial intelligence-powered software name "Scarlett" with B2B and consumer applications. The software is intended to provide cutting-edge artificial intelligence technology and augmented reality to further personalize the beauty experiences of customers. The Company hopes that Scarlett will be able to identify and assess customers' skin and provide recommendations of the best products available for their unique individual needs. Additionally, the software will utilize augmented reality by means of a virtual try-on feature allowing the customers to try a wide range of beauty products. A long-term focus of the Company is implementing the technology within the retail sector, to potentially eliminate the need for human beauty advisors and provide customers individualized information within seconds. Further details can be found on the Company's webpage for Scarlett at [www.ambari.ai](http://www.ambari.ai).

In the third quarter of fiscal 2023, the Company assembled the technical team for the development and deployment of Scarlett and continued to make advancements towards completion of the software.

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**RESULTS OF OPERATIONS**

Nine months ended September 30, 2023 and 2022

During the nine months ended September 30, 2023, the Company recorded a net loss of \$1,476,206 (September 30, 2022 - \$902,746). The increase in net loss of \$573,460 is primarily attributable to the Company focusing on the research and development of the Scarlett software and its marketing strategy,. During the nine months ended September 30, 2022, the Company focused on preparations for and filing of a long form prospectus and the process to list on the CSE. The composition and changes within net loss are further discussed below.

*Gross profit*

The Company recorded revenue for the nine months ended September 30, 2023 of \$88,695 (September 30, 2022 - \$176,176) related to the sale of products directly to consumers, luxury retailers, distributors and wholesalers, as summarized in the table below.

	<b>Nine months ended September 30,</b>					
	<b>2023</b>			<b>2022</b>		
Direct consumers	\$	6,349	7%	\$	81,193	46%
Distributors		74,633	84%		49,092	28%
Retailers		7,713	9%		39,006	22%
Other		-	0%		6,885	4%
	\$	88,695	100%	\$	176,176	100%

During the nine months ended September 30, 2023, the Company generated decreased total revenue compared to the same period of the prior year while focusing on the expansion of distribution channels, as discussed in "*Recent Developments and Outlook*". Direct to consumer sales contributed the largest share of total revenue for the nine months ended September 30, 2022 as a result of targeted digital marketing initiatives during the period.

The composition of revenue by product line for the nine months ended September 30, 2023 and 2022 is summarized in the table below.

	<b>Nine months ended September 30,</b>			
	<b>2023</b>		<b>2022</b>	
Gold Protection22 Mask		8%		35%
PM Active12 Serum		45%		29%
Complex4 Hydrator Cream		45%		27%
AM Active10 Essence		2%		7%
Product bundles		-		2%
		100%		100%

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The change in the composition of revenue by product line was directly attributable to the shift from individual direct to consumer orders during the nine months ended September 30, 2022 to large quantity purchase orders from distributors during the nine months ended September 30, 2023.

Cost of sales for the nine months ended September 30, 2023 amounted to \$60,323 (September 30, 2022 - \$77,773) and included the inputs to finished goods sold, including raw materials, bottling and packaging, fulfillment costs, and impairment adjustments.

As a result of revenue exceeding the cost of sales, the Company realized a gross profit for the nine months ended September 30, 2023 of \$28,372 (32%). During the nine months ended September 30, 2022, the Company realized a gross profit of \$98,403 (56%). The decrease in gross profit for the nine months ended September 30, 2023 is primarily attributable to the change in composition of revenue and the lower gross margin derived from distribution partners compared to the direct to consumer channel. The Company incurred additional shipping and distribution related costs contributing to the lower gross margin for the nine months ended September 30, 2023.

*Expenses*

The Company incurred advertising and promotion expenses of \$1,126,687 (September 30, 2022 - \$495,375) during the nine months ended September 30, 2023, representing an increase of \$631,312 compared to the same period of the prior year. During the nine months ended September 30, 2023, the Company began to focus its marketing strategy on comprehensive digital marketing campaigns to heighten market and brand awareness and broaden the Company's reach within the investment community. During the nine months ended September 30, 2022, the Company focused its efforts on digital advertising and strategic partnerships to bolster sales directly to consumers and retailers and identify new international channels.

The Company incurred consulting fees of \$67,199 (September 30, 2022 - \$118,010) during the nine months ended September 30, 2023, representing a decrease of \$50,811 compared to the same period of the prior year. The decrease in consulting fees is a direct result of the Company not renewing certain service agreements with third parties.

The Company incurred general and administrative expenses of \$132,302 (September 30, 2022 - \$138,524) during the nine months ended September 30, 2023, representing a decrease of \$6,222 compared to the same period of the prior year. The decrease in general and administrative expenses is explained by a decrease in bank and merchant fees and inventory storage fees as a result of fewer sales transactions. These decreases in general and administrative expenses were partially offset by increased insurance costs for additional policies implemented.

Professional fees for the nine months ended September 30, 2023 amounted to \$105,263 (September 30, 2022 - \$225,890), representing a decrease of \$120,627. The decrease in professional fees incurred by the Company is due to the preparations for a public listing during the nine months ended September 30, 2022, including the completion of interim review and annual audit engagements by the Company's auditors and preparations of filing documents by the Company's advisors. During the nine months ended September 30, 2023, professional fees comprised public company compliance and maintenance.

The Company incurred research and development expenses of \$54,841 during the nine months ended September 30, 2023 (September 30, 2022 - \$7,777), representing an increase of \$47,064. The increase is a direct result of the commencement of development of the Scarlett software which amounted to \$43,167 (September 30, 2022 - \$nil). The balance of research and development expenses incurred in the nine months ended September 30, 2023 related to dermatologist testing of products which amounted to \$11,674 (September 30, 2022 - \$7,777).

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The Company incurred salaries and benefits during the nine months ended September 30, 2023 and 2022 of \$10,549 and \$25,102, respectively, in connection with an employment agreement with an officer of the Company. The decrease of \$14,553 is a result of the termination of the employment agreement for several months during the nine months ended September 30, 2023. The employment agreement was later reinstated, and salaries and benefits continued. Refer to “*Related Party Transactions*”.

*Other items*

The Company recorded interest income for the nine months ended September 30, 2023 of \$69 for interest income earned on the Company’s cash balances. During the nine months ended September 30, 2022, the Company recorded interest income of \$13,588 which primarily related to an interest-bearing loan agreement between the Company and Avneesh Dhaliwal, CEO of the Company. Refer to “*Related Party Transactions*” for additional details of the loan agreement.

Three months ended September 30, 2023 and 2022

During the three months ended September 30, 2023, the Company recorded a net loss of \$1,091,175 (September 30, 2022 - \$325,859). The increase in net loss of \$765,316 is further discussed below.

*Gross profit*

The Company recorded revenue for the three months ended September 30, 2023 of \$377 (September 30, 2022 - \$68,002) related to the sale of products directly to consumers, luxury retailers, distributors and wholesalers, as summarized in the table below.

	<b>Three months ended September 30,</b>					
	<b>2023</b>		<b>2022</b>			
Direct consumers	\$	1,278	339%	\$	6,037	9%
Distributors		-	-		49,092	72%
Retailers		(901)	(239%)		12,096	18%
Other		-	-		777	1%
	\$	377	100%	\$	68,002	100%

During the three months ended September 30, 2023, the Company generated decreased total revenue compared to the same period of the prior year while focusing on development of Scarlett, as discussed in “*Recent Developments and Outlook*”. Direct to consumer sales contributed the largest share of total revenue for the three months ended September 30, 2023. During the three months ended September 30, 2022, the Company expanded its distribution to the European Union and focused its efforts on retail expansions, resulting in the increased revenue derived from these channels.

Cost of sales for the three months ended September 30, 2023 amounted to \$5,408 (September 30, 2022 - \$42,731) and included the inputs to finished goods sold, including raw materials, bottling and packaging, fulfillment costs, and impairment adjustments.

As a result of the cost of sales exceeding revenue, the Company realized a gross loss for the three months ended September 30, 2023 of \$5,031 (-1,334%). During the three months ended September 30, 2022, the Company realized a gross profit of \$25,271 (37%). The decrease in gross profit for the three months ended September 30, 2023 is primarily attributable to reduced sales volume in the period, as the Company focused efforts on the digital marketing campaign and development of the Scarlett software.

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*Expenses*

The Company incurred advertising and promotion expenses of \$938,457 (September 30, 2022 - \$137,737) during the three months ended September 30, 2023, representing an increase of \$800,720 compared to the same period of the prior year. During the three months ended September 30, 2023, the Company continued its marketing strategy focused on comprehensive digital marketing campaigns to heighten market and brand awareness and broaden the Company's reach within the investment community. During the three months ended September 30, 2022, the Company focused on strategic partnerships to bolster sales directly to retailers and identify new international channels.

The Company incurred consulting fees of \$10,700 (September 30, 2022 - \$53,693) during the three months ended September 30, 2023, representing a decrease of \$42,993 compared to the same period of the prior year. The decrease in consulting fees is a direct result of the Company not renewing certain service agreements with third parties.

The Company incurred general and administrative expenses of \$42,762 (September 30, 2022 - \$73,052) during the three months ended September 30, 2023, representing a decrease of \$30,290 compared to the same period of the prior year. The decrease is primarily attributable to decreased insurance costs due to changes in policy coverage and lower regulatory and filing fees due to the timing of corporate transactions.

Professional fees for the three months ended September 30, 2023 amounted to \$41,240 (September 30, 2022 - \$73,895), representing a decrease of \$32,655. The decrease in professional fees incurred by the Company is due to the preparations for a public listing in the three months ended September 30, 2022. During the three months ended September 30, 2023, professional fees comprised public company compliance and maintenance.

The Company incurred research and development expenses of \$43,150 during the three months ended September 30, 2023 (September 30, 2022 - \$5,056), representing an increase of \$38,094. The increase is a direct result of the commencement of development of the Scarlett software which amounted to \$43,150 (September 30, 2022 - \$nil). The balance of research and development expenses incurred in the three months ended September 30, 2023 related to dermatologist testing of products which amounted to \$nil (September 30, 2022 - \$5,056).

The Company incurred salaries and benefits during the three months ended September 30, 2023 and 2022 of \$2,093 and \$8,367, respectively, in connection with an employment agreement with an officer of the Company. Refer to "*Related Party Transactions*".

*Other items*

The Company recorded interest income for the three months ended September 30, 2023 of \$25 for interest income earned on the Company's cash balances. During the three months ended September 30, 2022, the Company recorded interest income of \$4,796 which primarily related to an interest-bearing loan agreement between the Company and Avneesh Dhaliwal, CEO of the Company. Refer to "*Related Party Transactions*" for additional details of the loan agreement.

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**SUMMARY OF QUARTERLY RESULTS**

The table below sets forth selected results of operations of the Company. All figures are in accordance with IFRS.

<b>For the three months ended</b>	<b>Revenue</b>	<b>Loss for the period</b>	<b>Loss per share (basic and diluted)</b>
September 30, 2023	\$ 377	\$ (1,091,175)	\$ (0.02)
June 30, 2023	\$ 33,451	\$ (210,542)	\$ (0.00)
March 31, 2023	\$ 54,867	\$ (174,489)	\$ (0.00)
December 31, 2022	\$ 27,467	\$ (414,661)	\$ (0.01)
September 30, 2022	\$ 68,002	\$ (325,859)	\$ (0.01)
June 30, 2022	\$ 20,925	\$ (191,339)	\$ (0.00)
March 31, 2022	\$ 87,249	\$ (385,548)	\$ (0.01)
December 31, 2021	\$ 84,059	\$ (1,747,203)	\$ (0.04)

Historical quarterly results of operations and loss per share do not necessarily reflect any recurring expenditure patterns or predictable trends. The Company's expenditures are driven by the availability of financing to fund continued operations. The fluctuation in quarterly revenue correlates to the timing of marketing campaigns, the execution of which tends to drive increased revenue thereafter, and the timing of large quantity distributor orders. The Company incurred an increased loss for the three months ended December 31, 2021 while the Company engaged strategic partners and hosted promotional and media events which showcased the Company's product line with the intention of increasing brand awareness to targeted markets. Thereafter, the Company's operations and quarterly losses for the periods reflect reduced overall operations while the Company focused on expanding its distribution and raising additional working capital. The Company incurred an increased loss for the three months ended September 30, 2023, while the Company engaged strategic partners and focused on digital marketing campaigns to broaden and heighten the Company's brand and investor awareness and commence the development of Scarlett.

**CAPITAL RESOURCES AND LIQUIDITY**

The Company's working capital as at September 30, 2023 was \$1,441,314 compared to working capital of \$846,486 as at December 31, 2022. The increase in working capital of \$594,828 during the nine months ended September 30, 2023 is due to an increase in cash of \$545,317 as a result of completing financing during the period, net of operating and investing activities as detailed below in "*Capital Resources and Liquidity – Cash Flows*", an increase in amounts receivable of \$66,466 related to sales tax receivables, and a decrease in accounts payable and accrued liabilities of \$95,999 due to the timing of payments to third parties. These increases to working capital were partially offset by a decrease in prepaid expenses and deposits of \$57,971 due to the timing of payments and agreement terms with third parties and a decrease in inventory of \$54,983 for sales orders fulfilled during the nine months ended September 30, 2023.

*Going Concern*

The accompanying condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

For the nine months ended September 30, 2023, the Company had negative cash flows from operations of \$1,525,717, a net loss of \$1,476,206, and as at that date an accumulated deficit of \$7,303,728. As at September 30, 2023, the Company had working capital of \$1,441,314. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise adequate financing from external sources and generate profits and positive cash flows from operations in order to carry out its business objectives. The Company will require additional financing for continuing operations, to evaluate strategic opportunities, and for working capital purposes. However, there is no assurance that the Company will be able to secure such financing on favorable terms. The accompanying condensed consolidated interim financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the Company's condensed consolidated interim financial statements. Such adjustments could be material.

*Cash Flows*

The Company's cash flows for the nine months ended September 30, 2023 and 2022 are summarized in the table below.

	<b>Nine months ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Cash used in operating activities	\$ (1,525,717)	\$ (1,333,899)
Cash used in investing activity	(86,334)	-
Cash provided by (used in) financing activities	2,160,128	(150,000)
Foreign exchange on cash	(2,760)	50,796
Change in cash for the period	\$ 545,317	\$ (1,433,103)
Cash, beginning of the period	247,301	1,687,620
Cash, end of the period	\$ 792,618	\$ 254,517

In determining cash used in operating activities, the loss reported for the period is adjusted for non-cash items including, but not limited to, accrued interest income and gains and losses on foreign exchange. Cash used in operating activities also reflects changes in working capital items, such as amounts receivable, prepaid expenses and deposits, inventory, and accounts payable and accrued liabilities, which fluctuate in a manner that does not necessarily reflect predictable patterns for the overall use of cash. The generation of working capital is dependent on sources of financing to fund continuing operations.

During the nine months ended September 30, 2023, the Company commenced the research and development phase of the Scarlett software, which resulted in cash used for investing activities of \$86,334. During the nine months ended September 30, 2022, the Company did not have any investing activities.

Cash provided by in financing activities for the nine months ended September 30, 2023 totaled \$2,160,128 and primarily related to two non-brokered private placements for gross proceeds of \$2,000,000, net of share issuance costs of \$123,200. During the nine months ended September 30, 2023, cash provided by warrant exercises amounted to \$283,328. Refer to "*Share Capital*". Cash used by financing activities for the nine months ended September 30, 2022 of \$150,000 related to the repurchase and cancellation of 500,000 common shares and 250,000 warrants of the Company.

**OFF-BALANCE SHEET ARRANGEMENTS**

During the reporting periods there were no off-balance sheet arrangements.

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**RELATED PARTY TRANSACTIONS**

Key management personnel are those having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, and include the Company's executive officers and members of the Board of Directors. Key management compensation consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<u>Consulting fees:</u>				
Spiral Investment Corp.; a company controlled by Gurcharn Deol, Director	\$ 9,000	\$ 9,000	\$ 27,000	\$ 9,000
9317-3516 Quebec Inc.; a company controlled by Meissam Hagh Panah, Director	1,500	-	4,500	-
<u>Salaries and benefits:</u>				
Kate-Lynn Genzel, Chief Financial Officer	1,950	7,800	9,750	23,400
	\$ 12,450	\$ 16,800	\$ 41,250	\$ 32,400

Loan receivable

On January 4, 2021, the Company entered into a loan agreement for a principal balance of \$388,472 payable by the Company's CEO, Avneesh Dhaliwal (the "CEO Loan Agreement"). The loan was provided to Ms. Dhaliwal for the purpose of purchasing common shares of the Company from former shareholders. The principal balance accrued interest at a rate of 4% per annum. The principal balance and all accrued interest thereon were due within 30 business days of the Company providing written notice of demand to Ms. Dhaliwal. The loan was repayable to the Company at any time without further bonus or penalty.

On November 16, 2022, the Company and the Company's CEO, Avneesh Dhaliwal, entered into a share purchase agreement pursuant to which Ms. Dhaliwal returned 971,180 common shares of the Company with a fair value of \$388,472 in exchange for the settlement of the principal balance and accrued interest of the CEO Loan Agreement. 971,180 common shares of the Company were subsequently cancelled and returned to the treasury.

During the three and nine months ended September 30, 2023, the Company accrued interest income with respect to the loan receivable of \$nil (September 30, 2022 - \$3,917) and \$nil (September 30, 2022 - \$11,622), respectively.

Accounts payable and accrued liabilities

As at September 30, 2023, accounts payable and accrued liabilities includes \$3,000 (December 31, 2022 - \$18,900) related to consulting fees due to Spiral Investment Corp., a company controlled by Gurcharn Deol, Director. The amount is unsecured, non-interest bearing, and has no fixed terms of repayment.

As at September 30, 2023, accounts payable and accrued liabilities includes \$1,100 (December 31, 2022 - \$602) related to consulting fees due to 9317-3516 Quebec Inc., a company controlled by Meissam Hagh Panah, Director. The amount is unsecured, non-interest bearing, and has no fixed terms of repayment.

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As at September 30, 2023, accounts payable and accrued liabilities includes \$nil (December 31, 2022 - \$67) related to general and administration expenses due to Avneesh Dhaliwal, Director, Corporate Secretary and CEO. The amount was unsecured, non-interest bearing, and had no fixed terms of repayment.

Transactions with related parties were measured based on the consideration established and agreed to by the related parties. All services were made on terms equivalent to those that prevail with arm’s length transactions.

**SHARE CAPITAL**

The Company is authorized to issue an unlimited number of common shares without par value.

As at the date of the MD&A:

<b>Security</b>	<b>Number outstanding</b>
Common shares issued	56,528,815
Warrants	12,455,349
	<b>68,984,164</b>

During the nine months ended September 30, 2023:

On February 24, 2023, the Company closed a non-brokered private placement and issued 2,000,000 units of the Company for gross proceeds of \$500,000. Each unit is comprised of one common share of the Company and one-half of one warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of \$0.35 per common share and expires on February 24, 2024. The Company paid finder’s fees of \$28,000 and issued 112,000 finder’s warrants in connection with closing the non-brokered private placement. Each finder’s warrant is exercisable into one common share of the Company at an exercise price of \$0.35 per common share and expires on February 24, 2024.

On August 10, 2023, the Company issued 10,000 common shares pursuant to the exercise of 10,000 warrants for gross proceeds of \$5,000.

On August 16, 2023, the Company issued 25,000 common shares pursuant to the exercise of 25,000 warrants for gross proceeds of \$12,500.

On August 18, 2023, the Company closed a non-brokered private placement and issued 3,750,000 units of the Company for gross proceeds of \$1,500,000. Each unit is comprised of one common share of the Company and one-half of one warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of \$0.50 per common share and expired on August 18, 2024. The Company paid finder’s fees of \$95,200 and issued 238,000 finder’s warrant in connection with closing the non-brokered private placement. Each finder’s warrant is exercisable into one common share of the Company at an exercise price of \$0.50 per common share and expires on August 18, 2024.

On September 8, 2023, 531,656 agent compensation options (“ACOs”) were exercised for gross proceeds of \$265,828, and as a result the Company issued 648,620 units with each unit consisting of one common share and one-half of one warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of \$0.75 per common share and expires on July 25, 2024.

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**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The accompanying condensed consolidated interim financial statements have been prepared using the judgments, estimates and assumptions summarized below.

*Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Refer to "*Capital Resources and Liquidity*".

*Inventory*

Inventory consists of raw materials, work in progress, shipping materials, and finished goods recorded at the lower of cost and net realizable value. Inventory represents a significant portion of the asset base of the Company and its value is reviewed at each reporting period. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, expiry, damage, or slow moving. The assessment of whether inventory is slow moving is subject to management's estimates of future sales forecasts and expected shelf lives of inventory. Actual net realizable value can vary from the estimated provision.

*Economic recoverability of intangible asset*

The Company has determined that intangible asset costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including anticipated cash flows and estimated economic life. The amortization expense related to intangible assets is determined using estimates relating to the useful life of the intangible asset.

*Useful lives of intangible asset*

Judgement is necessary in determining the date at which an intangible asset is available for its intended use. Also, at each reporting date, management determines whether an intangible asset presents indicators of impairment. For the purposes of its analysis, management uses its judgement considering factors such as the economic environment and the market in which the Company operates, budget forecasts and obsolescence.

**ADOPTION OF NEW STANDARDS AND INTERPRETATIONS AND RECENT ACCOUNTING PRONOUNCEMENTS**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards and has determined that there are no new standards that are relevant to the Company.

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**FINANCIAL AND OTHER INSTRUMENTS**

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

The Company's financial instruments consist of cash, trade receivables, and accounts payable and accrued liabilities. The Company has no financial instruments carried at fair value.

The carrying value of the Company's financial instruments approximate their fair values due to their short-term maturities.

There were no transfers between the levels of the fair value hierarchy during the nine months ended September 30, 2023 or 2022.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

*Credit risk*

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and amounts receivable. The risk arises from the non-performance by counterparties of contractual financial obligations. To minimize credit risk, the Company places cash with high credit quality financial institutions. The Company's amounts receivable consists of input tax credits due from the Government of Canada and sales orders due from reputable luxury department stores, distributors, and third party credit card processing services; and as such, amounts receivable are not subject to significant credit risk.

*Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The interest earned on cash is insignificant. The Company does not rely on interest income to fund its operations and does not have any interest-bearing debt.

*Liquidity risk*

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next 12 months. The Company intends to settle these with funds from its positive working capital position.

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The tables below summarize the maturity profile of the Company's financial liabilities.

As at September 30, 2023	Less than 1 year	1 – 3 years	4 – 5 years	Later than 5 years	Total
Accounts payable and accrued liabilities	\$ 138,128	\$ -	\$ -	\$ -	138,128
Total liabilities	\$ 138,128	\$ -	\$ -	\$ -	138,128

*Foreign currency risk*

The Company may be exposed to foreign currency risk on fluctuations related to cash balances that are denominated in a foreign currency. As at September 30, 2023, the Company held cash denominated in US dollars of US\$38,707 (December 31, 2022 – US\$10,709) which expose the Company to minimal foreign currency exchange rate risk. The Company currently does not plan to enter into foreign currency future contracts to mitigate this risk as the Company consider this risk to be immaterial.

**APPROVAL**

The Board of Directors of the Company has approved the disclosure contained in this MD&A.