

AMBARI BRANDS INC.
Management's Discussion & Analysis
For the years ended December 31, 2023 and 2022
(Stated in Canadian Dollars)

This Management's Discussion and Analysis ("MD&A") of Ambari Brands Inc. (the "Company" or "Ambari") is dated April 29, 2024. This MD&A should be read in conjunction with the consolidated financial statements and accompanying notes for the years ended December 31, 2023 and 2022, which are prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 carried 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 was 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 was to provide clinical-grade skincare products that provide professional results from the comfort of your home.

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

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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 were sold directly through its e-commerce platform, as well as through select luxury retailers and international distributors.

RECENT DEVELOPMENTS AND OUTLOOK

Discontinued operations

During the year ended December 31, 2023, the Company made the decision to discontinue the operations of its subsidiary, Ambari Beauty USA, Inc. ("Ambari USA"). As a result, Ambari USA was classified as a discontinued operation in accordance with IFRS 5 Non-Current Assets Held for Sales and Discontinued Operations for the year ended December 31, 2023. The financial results of Ambari USA are segregated in the consolidated statements of loss and comprehensive loss as discontinued operations. See Note 16 of the consolidated financial statements for the years ended December 31, 2023 and 2022.

Corporate

During the year ended December 31, 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), 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 does not expect to complete the registration process, due to the decision to discontinue the operations of Ambari USA.

During the year ended December 31, 2023, the Company began to focus on liquidation distributors to alleviate storage costs on inventory held at two of the storage facilities. Due to the slower movement of inventory through the direct consumer and retail channels, this decision allowed the Company to direct more attention to the research and development of the Company's artificial intelligence software development. As a result, the operations of Ambari USA were discontinued as explained above.

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.

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As at December 31, 2023, the Company began the finalization of a beta version of the application. In late January 2024, the Company announced the beta version was available to shareholders and the public to provide valuable feedback and become involved in testing the application. The Company continues to refine the application and work on improving the software and addressing any bugs that may occur.

The regulatory landscape for Artificial Intelligence (“AI”) and other emerging technologies is still evolving. Uncertainty in the legal regulatory regime relating to AI may require significant resources to modify and maintain business practices to comply with changes in laws and regulations related to AI, data privacy, and cybersecurity which could impact our operations.

SELECTED ANNUAL INFORMATION

The financial data presented in the table below is prepared in accordance with IFRS.

	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
	(Audited)	(Audited)	(Audited)
<i>Consolidated Statement of Loss and Comprehensive Loss¹</i>			
Results from continuing operations:			
Total revenues	\$ -	\$ -	\$ -
Net loss for the year	\$ (1,738,936)	\$ (861,040)	\$ (391,941)
Basic and diluted loss per share	\$ (0.03)	\$ (0.02)	\$ (0.01)
Total net loss for the year	\$ (2,514,149)	\$ (1,317,407)	\$ (3,661,918)
Total basic and diluted loss per share	\$ (0.04)	\$ (0.03)	\$ (0.08)
<i>Consolidated Statement of Financial Position</i>			
Total assets	\$ 618,248	\$ 1,080,613	\$ 2,828,804
Total non-current financial liabilities	\$ -	\$ -	\$ -
Cash dividends	\$ -	\$ -	\$ -

The composition of net loss for the years ended December 31, 2023 and 2022 is detailed below in “Results of Operations”. During the year ended December 31, 2021, the Company launched their initial product line and focused on advertising and promotional activities to draw in customers.

Total assets as at December 31, 2023, decreased to \$618,248 from \$1,080,613 as at December 31, 2022. The decrease in total assets of \$462,365 is attributable to a decrease in inventory as a result of impairment and write off losses, partially offset by an increase in cash as a result of private placement financings and warrant exercises during the year ended December 31, 2023.

Total assets as at December 31, 2022 decreased to \$1,080,613 from \$2,828,804 as at December 31, 2021. The decrease in total assets of \$1,748,191 is attributable to the decrease in cash as a result of no financing during the year ended December 31, 2022 and the repayment of the loan receivable due from Avneesh Dhaliwal, CEO of the Company, as described below in “Related Party Transactions”. These decreases to total assets were partially offset by the increase

¹ Ambari USA is a discontinued operation as explained above and has been excluded from the results of continuing operations in the consolidated statements of loss and comprehensive loss. Refer to the Discontinued Operations section of this document for further discussion on discontinued operations.

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in prepaid expenses and deposits related to prepayments for future services and annual insurance premiums, net of deposits applied to inventory production orders, and the increase in inventory for finished goods and work in progress produced during the year ended December 31, 2022.

Refer to “*Capital Resources and Liquidity*” for additional detail on working capital and cash flows for the years ended December 31, 2023, and 2022.

RESULTS OF OPERATIONS

From continuing operations:

Years ended December 31, 2023 (“Current year”) and 2022 (“Prior year”)

During the year ended December 31, 2023, the Company recorded a net loss from continuing operations of \$1,738,936 (December 31, 2022 - \$861,040). The increase in net loss of \$877,896 is primarily attributable to an increase in advertising and promotion expenses as a result of more advertising and marketing campaigns. During the year ended December 30, 2022, the Company focused on preparations for and filing of the Prospectus and the process to list the Company's common shares on the CSE, the OTCQB Venture Market and the Frankfurt Stock Exchange. The composition and changes within net loss are further discussed below.

Expenses

The Company incurred investor relations expenses from continuing operations of \$1,058,833 (December 31, 2022 - \$254,217) during the year ended December 31, 2023, representing an increase of \$804,616 compared to the same period of the Prior year. During the years ended December 31, 2023 and December 31, 2022, 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.

The Company incurred consulting fees from continuing operations of \$77,699 (December 31, 2022 - \$157,075) during the year ended December 31, 2023, representing a decrease of \$79,376 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 from continuing operations of \$101,851 (December 31, 2022 - \$110,688) during the year ended December 31, 2023, representing a decrease of \$8,837 compared to the same period of the Prior year. The decrease in general and administrative expenses is explained by a decrease in bank fees due to decrease activity and decreased insurance costs due to cancellations of policies.

Professional fees from continuing operations for the year ended December 31, 2023 amounted to \$220,549 (December 31, 2022 - \$289,915), representing a decrease of \$69,366. The decrease in professional fees incurred by the Company is due to the preparations for a public listing during the year ended December 31, 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 Current year, professional fees are comprised of public company compliance and maintenance.

The Company incurred research and development expenses from continuing operations of \$259,002 during the year ended December 31, 2023 (December 31, 2022 - \$Nil), representing an increase of \$259,002. The increase is a direct result of the commencement of research and development of Scarlett software.

The Company incurred salaries and benefits from continuing operations during the year ended December 31, 2023 and 2022 of \$16,143 and \$33,469, respectively, in connection with an employment agreement with a former officer of the Company. The decrease of \$17,326 is a result of the termination of the employment agreement for several

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months during the year ended December 31, 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 year ended December 31, 2023 of \$1,254 for interest income earned on the Company's cash balances. During the year ended December 31, 2022, the Company recorded interest income of \$15,602 which primarily related to an interest-bearing loan agreement between the Company and Avneesh Dhaliwal, Former Chief Executive Officer ("CEO") of the Company. Refer to "*Related Party Transactions*" for additional details of the loan agreement.

The Company recorded a loss on settlement of the loan receivable from Avneesh Dhaliwal, CEO of the Company, of \$28,992 for the year ended December 31, 2022 as a result of entering 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 loan receivable. Refer to "*Related Party Transactions*" for additional details of the loan agreement.

Three months ended December 31, 2023 and 2022

During the three months ended December 31, 2023, the Company recorded a net loss of \$365,918 (December 31, 2022 - \$322,797). The increase in net loss of \$43,121 is further discussed below.

The Company incurred investor relations expenses of \$Nil (December 31, 2022 - \$119,548) during the three months ended December 31, 2023, representing a decrease of \$119,548 compared to the same period of the prior year. During the three months ended December 31, 2023, the Company paused its marketing efforts and focused on the continued development of the application, Scarlett. During the three months ended December 31, 2022, the Company focused on strategic partnerships to bolster sales directly to retailers and identify new international channels.

The Company incurred consulting fees of \$10,500 (December 31, 2022 - \$39,183) during the three months ended December 31, 2023, representing a decrease of \$28,683 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 \$13,632 (December 31, 2022 - \$40,242) during the three months ended December 31, 2023, representing a decrease of \$26,610 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 December 31, 2023 amounted to \$121,453 (December 31, 2022 - \$88,307), representing an increase of \$33,146. The increase in professional fees incurred by the Company is due to higher accrual raised for audit fees and legal costs during the three months ended December 31, 2023.

The Company incurred research and development expenses of \$215,835 during the three months ended December 31, 2023 (December 31, 2022 - \$Nil), representing an increase of \$215,835. The increase is a direct result of the commencement of development of Scarlett software.

The Company incurred salaries and benefits during the three months ended December 31, 2023 and 2022 of \$5,594 and \$8,367, respectively, in connection with an employment agreement with an officer of the Company. Refer to "*Related Party Transactions*".

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Other items

The Company recorded interest income for the three months ended December 31, 2023 of \$1,185 for interest income earned on the Company's cash balances. During the three months ended December 31, 2022, the Company recorded interest income of \$2,014 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.

From discontinued operations:

As explained above, the Company has resolved to discontinue the operations of Ambari USA. As a result, Ambari USA was classified as a discontinued operation in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations for the year ended December 31, 2023.

The statements of loss and comprehensive loss for discontinued operations (Ambari USA) for the year ended December 31, 2023 and 2022 are comprised of the following:

	Year ended December 31,	
	2023	2022
Revenue	\$ 99,306	\$ 203,643
Cost of sales	719,735	160,266
Gross profit (loss)	(620,429)	43,377
Expenses		
Advertising and promotion	70,906	375,575
General and administrative	63,355	92,660
Professional fees	6,549	24,627
Research and development	12,187	5,379
Total expenses	(152,997)	(498,241)
Other Items		
Foreign exchange loss	(1,787)	(1,503)
Net loss for the year from discontinued operations	(775,213)	(456,367)
Exchange difference on translating discontinued foreign operations	(3,948)	47,421
Comprehensive loss	\$ (779,161)	\$ (408,946)
Loss per common share from discontinued operations – basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	53,396,696	44,893,717

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The operating results of the discontinued operations are discussed below:

Gross profit

The Company recorded revenue from discontinued operations for the year ended December 31, 2023 of \$99,306 (December 31, 2022 - \$203,643) related to the sale of products directly to consumers, luxury retailers, distributors and wholesalers, as summarized in the table below.

	Year ended December 31,					
	2023			2022		
Direct consumers	\$	7,057	7%	\$	87,904	43%
Distributors		82,129	83%		62,544	31%
Retailers		10,120	10%		44,787	22%
Other		-	0%		8,408	4%
	\$	99,306	100%	\$	203,643	100%

During the year ended December 31, 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 year ended December 31, 2022 as a result of targeted digital marketing initiatives during the period.

The composition of revenue by product line for the years ended December 31, 2023 and 2022 is summarized in the table below.

	Year ended December 31,	
	2023	2022
Gold Profection22 Mask	11%	31%
PM Active12 Serum	41%	26%
Complex4 Hydrator Cream	42%	24%
AM Active10 Essence	6%	13%
Product bundles	-	6%
	100%	100%

The change in the composition of revenue by product line was directly attributable to the shift from individual direct to consumer orders during the year ended December 31, 2022 to large quantity purchase orders from distributors during the year ended December 31, 2023.

Cost of sales for the year ended December 31, 2023 amounted to \$719,735 (December 31, 2022 - \$160,266) and included the inputs to finished goods sold, including raw materials, bottling and packaging, fulfillment costs, count adjustment, write-offs, and impairment adjustments.

As a result of the cost of sales exceeding revenue, the Company realized a gross loss for the year ended December 31, 2023 of \$620,429 and gross margin of -625%. During the year ended December 31, 2022, the Company realized a gross profit of \$43,377 and gross margin of 21%. The decrease in gross profit for the year ended December 31, 2023 is primarily attributable to impairment and write-off losses recognized during the year related to inventory adjustments of raw materials, work-in-progress, and finished goods held at the storage facilities.

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Gross profit

The Company recorded revenue for the three months ended December 31, 2023 of \$10,611 (December 31, 2022 - \$27,467) related to the sale of products directly to consumers, luxury retailers, distributors and wholesalers, as summarized in the table below.

	Three months ended December 31,					
	2023			2022		
Direct consumers	\$	695	7%	\$	6,711	24%
Distributors		7,350	69%		13,452	49%
Retailers		2,566	24%		5,781	21%
Other		-	-		1,523	6%
	\$	10,611	100%	\$	27,467	100%

During the three months ended December 31, 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*". Distributor sales contributed the largest share of total revenue for the three months ended December 31, 2023. During the three months ended December 31, 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 December 31, 2023 amounted to \$659,412 (December 31, 2022 - \$82,493) and included the inputs to finished goods sold, including raw materials, bottling and packaging, fulfillment costs, count adjustments, write-off and impairment adjustments.

As a result of the cost of sales exceeding revenue, the Company realized a gross loss for the three months ended December 31, 2023 of \$648,801 and gross margin of -6,114%. During the three months ended December 31, 2022, the Company realized a gross loss of \$55,026 and gross margin of -50%. The increase in gross loss for the three months ended December 31, 2023 is primarily attributable to reduced sales volume in the period, and write-off and impairment expenses incurred on inventory that became obsolete.

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SUMMARY OF QUARTERLY RESULTS

The table below sets forth selected results of the continuing operations of the Company. All figures are in accordance with IFRS. The continuing operations results for the comparatives exclude discontinued operations results from Ambari USA.

For the three months ended	Revenue	Loss for the period from continuing operations	Loss per share from continuing operations (basic and diluted)	Total loss for the period	Total loss per share (basic and diluted)
December 31, 2023	\$ -	\$ (365,918)	\$ (0.01)	\$ (1,029,405)	\$ (0.02)
September 30, 2023	\$ -	\$ (1,069,834)	\$ (0.02)	\$ (1,078,042)	\$ (0.02)
June 30, 2023	\$ -	\$ (174,317)	\$ (0.00)	\$ (230,669)	\$ (0.00)
March 31, 2023	\$ -	\$ (128,867)	\$ (0.00)	\$ (176,033)	\$ (0.00)
December 31, 2022	\$ -	\$ (322,797)	\$ (0.01)	\$ (359,194)	\$ (0.01)
September 30, 2022	\$ -	\$ (297,319)	\$ (0.01)	\$ (351,800)	\$ (0.01)
June 30, 2022	\$ -	\$ (105,789)	\$ (0.00)	\$ (207,334)	\$ (0.01)
March 31, 2022	\$ -	\$ (135,135)	\$ (0.00)	\$ (399,079)	\$ (0.01)

Historical quarterly results of operations and loss per share do not necessarily reflect any recurring expenditure patterns or predictable trends. The Company's expenditure is driven by the availability of financing to fund continued operations. 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. The Company experienced a decrease in loss for the three months ended December 31, 2023, as compared to the previous quarter, as a result of decreased advertising expenses, as the marketing campaign was completed prior to the beginning of the three months ended December 31, 2023, offset by write-offs and research and development expenses for the continued development of the Scarlett application.

CAPITAL RESOURCES AND LIQUIDITY

The Company's working capital as at December 31, 2023 was \$481,590 compared to working capital of \$846,486 as at December 31, 2022. The decrease in working capital of \$364,896 during the year ended December 31, 2023 is due to an increase in cash of \$315,404 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*", offset by a decrease in inventory of \$716,477 related to impairment, a decrease in amounts receivable of \$11,377 related to sales tax receivables, a decrease in prepaid expenses and deposits of \$49,915 due to the timing of payments and agreement terms with third parties, and a decrease in accounts payable and accrued liabilities of \$97,469 due to the timing of payments to third parties.

Going Concern

The accompanying consolidated 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 year ended December 31, 2023, the Company had negative cash flows from continuing operations of \$1,735,217, a net loss of \$1,738,936, and as at that date an accumulated deficit of \$8,341,671. As at December 31,

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2023, the Company had working capital of \$481,590. These factors indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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 consolidated 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 consolidated financial statements. Such adjustments could be material.

Cash Flows

The Company's cash flows for the years ended December 31, 2023 and 2022 are summarized in the table below.

	Year ended December 31,	
	2023	2022
Cash used in continuing operating activities	\$ (1,735,217)	\$ (915,077)
Cash used in discontinued operating activities	(98,632)	(422,663)
Cash provided by (used in) continuing financing activities	2,153,201	(150,000)
Cash provided by (used in) discontinued financing activities	-	-
Foreign exchange on cash	(3,948)	47,421
Change in cash for the year	315,404	(1,440,319)
Cash, beginning of the year	247,301	1,687,620
Cash, end of the year	\$ 562,705	\$ 247,301

In determining cash used in operating activities, the loss reported for the year 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.

Cash provided by financing activities for the year ended December 31, 2023 totaled \$2,153,201 and primarily related to two non-brokered private placements for gross proceeds of \$2,000,000, net of share issuance costs of \$130,127. During the year ended December 31, 2023, cash provided by warrant exercises amounted to \$283,328. Refer to "*Share Capital*." Cash used by financing activities for the year ended December 31, 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:

	Year ended December 31,	
	2023	2022
<u>Consulting fees:</u>		
Spiral Investment Corp.; a company controlled by Gurcharn Deol, Director	\$ 36,000	\$ 18,000
9317-3516 Quebec Inc.; a company controlled by Meissam Hagh Panah, Director	6,449	1,500
<u>Salaries and benefits:</u>		
Kate-Lynn Genzel, Former Chief Financial Officer	14,950	31,200
	\$ 57,399	\$ 50,700

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 Former 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 Former 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 year ended December 31, 2023, the Company accrued interest income with respect to the loan receivable of \$Nil (December 31, 2022 - \$13,623).

Accounts payable and accrued liabilities

As at December 31, 2023, accounts payable and accrued liabilities includes \$3,150 (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 December 31, 2023, accounts payable and accrued liabilities includes \$500 (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.

As at December 31, 2023, accounts payable and accrued liabilities includes \$116 (December 31, 2022 - \$67) related to general and administration expenses due to Avneesh Dhaliwal, Former Director, Corporate Secretary and CEO. The amount was unsecured, non-interest bearing, and had no fixed terms of repayment.

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Accounts receivable and prepayments

As at December 31, 2023, prepaid expenses include \$625 (December 31, 2022 - \$Nil) related to an overpayment of consulting fees paid to 9317-3516 Quebec Inc., a company controlled by Meissam Hagh Panah, Director, during the year.

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:

<u>Security</u>	<u>Number outstanding</u>
Common shares issued	56,528,815
Warrants	11,343,349
	<u>67,872,164</u>

During the year ended December 31, 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. In connection with the ACOs exercised, \$138,869 was reclassified from reserves to share capital.

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During the year ended December 31, 2023, the Company incurred 6,927 of legal costs associated with the share issuances throughout the year.

MATERIAL 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 consolidated 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 previously represented a significant portion of the asset base of the Company and its value was 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. During the year ended December 31, 2023 inventory was impaired due to the decision taken to cease the operations of Ambari USA (Discontinued operation section).

STANDARDS ISSUED BUT NOT YET EFFECTIVE

IAS 1, Presentation of Financial Statements ("IAS 1"): In October 2022, the IASB issued amendments to IAS 1 titled Non-current Liabilities with Covenants. These amendments seek to improve the information that an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period. These amendments to IAS 1 do not override but incorporate the previous amendments, Classification of Debt as Current or Non-current, issued in January 2020, which clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendments are effective January 1, 2024, with early adoption permitted. Retrospective application is required on adoption. The Company does not expect these amendments to have a material effect on its consolidated financial statements.

NEW ACCOUNTING STANDARDS ADOPTED DURING THE YEAR

IAS 1 and IFRS Practice Statement 2: In February 2021, the IASB issued amendments to IAS 1 and the IFRS Practice Statement 2 Making Materiality Judgments to provide guidance on the application of materiality judgments to accounting policy disclosures. The amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Guidance and illustrative examples are added in the Practice Statement to assist in the application of materiality concept when making judgments about accounting

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policy disclosures. The amendments are effective for periods beginning January 1, 2023, with early adoption permitted. Prospective application is required on adoption.

The Company has reduced the disclosures within these consolidated financial statements upon adoption of the amendments in the standard.

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 year ended December 31, 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 trade receivables. 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 trade receivables consists of 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.

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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.

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

As at December 31, 2023	Less than 1 year	1 – 3 years	4 – 5 years	Later than 5 years	Total
Accounts payable and accrued liabilities	\$ 136,658	\$ -	\$ -	\$ -	\$ 136,658
Total liabilities	\$ 136,658	\$ -	\$ -	\$ -	\$ 136,658

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 December 31, 2023, the Company held cash denominated in US dollars of US\$27,560 (December 31, 2022 – US\$10,709), trade receivables of US\$255 (December 31, 2022 – US\$1,954) and trade payables of US\$27,643 (December 31, 2022 – US\$61,929) denominated in US dollars 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.

SUBSEQUENT EVENTS

On February 24, 2024, 1,112,000 warrants with an exercise price of \$0.35 expired without being exercised.