The Good Flour Corp.

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (this "**MD&A**") is dated May 30, 2022 and is intended to assist the reader in understanding the results of operations and financial condition of The Good Flour Corp. (the "Company" or "GFCO"). This MD&A should be read in conjunction with the with the Company's audited consolidated financial statements which can be obtained from www.sedar.com.

Unless otherwise noted, results are reported in Canadian dollars, which is the Company's functional currency, and are reported in accordance with International Financial Reporting Standards ("**IFRS**"). References to USD are references to United States dollars.

CAUTION ON FORWARD-LOOKING INFORMATION

This MD&A contains certain "forward-looking information" and "forward-looking statements" (collectively "**forward-looking statements**") within the meaning of applicable Canadian securities legislation. When we discuss our strategy, plans, outlook, future financial and operating performance, financing plans, growth in cash flow and other events and developments that have not yet happened, we are making forward-looking statements. All statements in this MD&A that address events or developments that we expect to occur in the future are forward-looking statements, including the following:

- our expectations in relation to working capital;
- our expectations in relation to our future financial needs;
- statements with respect to the Company's future business
- objectives, its ability to disrupt the global wheat flour market, product details, plans to expand production;
- production capacity and demand for the Company's product;
- our estimated expenditures for the fiscal year; and
- our expectations with respect to future revenue generation.

Forward-looking statements are statements that are not historical facts and are generally, although not always, identified by words such as "expect", "plan", "anticipate", "project", "target", "potential", "schedule", "forecast", "budget", "estimate", "intend" or "believe" and similar expressions or their negative connotations, or that events or conditions "will", "would", "may", "could", "should" or "might" occur. All such forward-looking statements are based on the opinions and estimates of management as of the date such statements are made. Forward-looking statements necessarily involve assumptions, risks and uncertainties, certain of which are beyond the Company's control, including the following:

- our dependence on suppliers and customers;
- our completion of additional financing to continue operations;
- failure to effectively expand manufacturing and production capacity;
- the ability to source ingredients
- risks associated with global supply chain for machinery and equipment,
- failure to attract, maintain and expand relationships with key strategic restaurant and food service partners;
- changing consumer taste preferences;
- delay or failure to receive regulatory approvals;
- the impact of COVID-19 on global economic conditions;

- our ability to attract qualified operators;
- our ability to manage our growth;
- geopolitical risks;
- exchange rate risks;
- regulatory risks;
- our future operations;
- our dependence on key personnel; dilution to present and prospective shareholders;
- losses occur for which the Company does not have third-party insurance coverage increase or the Company’s insurance coverages prove to be inadequate;
- the Company may be a party to litigation in the normal course of business or otherwise, which could affect its financial position and liquidity;
- the Company's information systems may experience an interruption or breach in security;
- security breaches of our technology systems, or those of our clients or other third-party vendors we rely on, could subject us to significant liability;
- the Company may be exposed to damage to its business or its reputation by cybersecurity incidents
- the lack of a market for our securities; and
- our share price.

Although the Company has attempted to identify factors that could cause actual results to differ materially from those described in forward-looking information, there may be other factors that cause results not to be as anticipated. Readers should not place undue reliance on forward-looking information. The forward looking information is made as of the date of this news release. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update forward-looking information, except as required by applicable securities laws.

1. Description of the Business

The Good Flour Corp., (the "Company" or "GFCO") was incorporated under the provisions of the Business Corporations Act (Saskatchewan) on September 25, 2009. On September 4, 2014, the Company completed its continuance to British Columbia under the Business Corporations Act (British Columbia). The Company's head office, principal address and the registered and records office are located at 5791 Sidley Street, Burnaby, BC V5J 5E6.

The Company manufactures and distributes a line of healthy, gluten-free and allergen free food products. On November 8, 2021, the Company began trading on the Canadian Securities Exchange ("CSE") at the open of market under the symbol "GFCO".

The accompanying condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. To date there have been significant volatility in the capital market and the movement of people. The principal risks with respect to the food industry are associated with supply chain disruptions and potential reduced demand for food purchased from restaurants. The Company is presently evaluating the future impacts of COVID-19. The impact of these factors on the Company is challenging to estimate; however, the Company's financial position, results of operations and cash flows in future periods may be materially affected. Please refer to the heading "COVID-19" below for additional information.

2. Business Model

The Company manufactures and processes a line of gluten-free and allergen free products for individual customers and larger, "food service" customers, which include restaurants. Both individual and food service customers are located across North America, Australia and the United Kingdom. The Company's recipes were initially created in 2012 and have been developed to allow individuals with gluten and other food allergies to enjoy life without giving up their favorite foods or settling for low-quality alternatives. Simply put, "Flour" but good for you. The products which have been developed over the last decade under the branding "Nextjen" include: All-purpose baking flour; Pizza & pasta flour; Tempura batter mix; Fish & chips batter mix; Fried chicken mix; Pancake & waffle mix; Vanilla bean cake mix; and Pizza shells. In the Company's mission to reach an even larger audience, the Company has relaunched these superior mixes under a new brand - The Good Flour Co.

3. COVID-19

The Company is subject to the continuing risk that COVID-19. Although multiple vaccines have been released and are being administered to the public, there have been coincidental mutations to the virus known as COVID-19 and which have been reported to be more virulent. Should vaccines prove less effective against the new virus strains resulting in a resurgence of COVID-19 during the year, it is anticipated that additional governments would again issue public health orders which might include restricting the movement of people and goods. and this in turn may impact our results of operations or financial condition through disruptions to operations including as a result of temporary production suspensions at our production facilities, production ramp-up delays, interruptions in our supply chain and distribution network, or new indoor dining restrictions impacting sales of the Company's products to restaurants. The Company utilizes and updates (as required) its safety protocols to ensure the health and wellness of its employees and contractors, which include the use of personal protective equipment and physical distancing initiatives to reduce risk within our facilities and mitigate the direct impacts of COVID-19. COVID-19 has the potential to affect the Company operations through indirect impacts of the pandemic including delays in the delivery of production equipment. If these developments occur, they may slow the Company's targeted ramp-up of its new Burnaby production facility.

The extent of the impact of COVID-19 on future periods will depend on future developments, all which are uncertain and cannot be predicted, including the duration or resurgence of the pandemic, government responses and health and safety measures or directives put in place by public health authorities, and sustained pressure on global supply chains causing supply and demand imbalances.

4. Overall Performance

Mergers and Acquisitions

<u>Share acquisition of the Gourmet Ghetto Food Ltd.</u>

On November 4, The Good Flour Milling Corp. (formerly VGAN Brands Inc.) ("GFMC") acquired all of the issued and outstanding shares in the Gourmet Ghetto Food. Ltd. Subsequently Gourmet Ghetto Food Ltd. was amalgamated with GFMC. The purpose of the transaction was to disrupt the global flour market by acquiring a brand that has had success and gained traction in the market. The transaction would bring capital to expand production capacity and new branding elements to reach a wider audience.

The fair value of the consideration transferred was $559,997, which consisted of convertible notes with a fair value of $448,286 and a conversion feature worth $111,711. The purchase price was allocated as follows:

Total purchase consideration	559,997
Net tangible assets	
Cash	11,106
Non-cash net working capital	(44,617)
Office and equipment	50,566
Right of use assets	373,217
Prepaid expenses	13,013
Lease liabilities	(374,937)
Debt	(227,904)
	(199,556)
Identifiable intangible assets	
Recipes	195,157
Goodwill	564,396

Reverse Acquisition

On July 6, 2021, the Company entered into a Share Exchange Agreement ("SEA") with GFMC, (formerly VGAN Brands. Ltd.). The transactions contemplated by the SEA closed on November 5, 2021 and resulted in GFCO acquiring 100% of the issued and outstanding common shares of the GFMC. The purpose of this transaction was to gain access to the public capital markets. At the time immediately before the share exchange, the Company did not meet the definition of a business under IFRS 3, therefore the share exchange was accounted for under IFRS 2, share based payments.

The principal terms of the SEA were as follows:

- GFCO listed its Class A common shares on the Canadian Securities Exchange and delisted its Class A common shares from the TSX Venture Exchange.

- Each holder of the GFMC shares received one GFCO share for each GFMC share held as purchase consideration. The parties acknowledges and agreed that the fair market value of the consideration shares issued to the shareholders in exchange for the purchased shares was equal to $0.20, the fair market value of the purchased shares surrendered in exchange therefor, and such consideration shares represent the sole consideration received by the shareholders in exchange for the purchased shares.

- Each holder of GFMCO warrants received one replacement warrant representing the right to acquire one GFCO share on the same terms as the existing GFMC warrants for each GFMCO warrant held. Subsequently, all GFMC warrants were cancelled.

- Each holder of options under the GFMC stock option plan received a replacement GFCO option that reflected the same terms as the existing GFMC options, following which all GFMC stock options were cancelled.

The excess between the deemed acquisition cost and the total fair value of identified assets and liabilities was $2,549,595 and was recorded as listing expense.

Discontinued Operations

At the time of the closing of SEA on November 5, 2021, the Company was in the process of liquidating the assets of its former electric scooter business. During the nine month period ending March 31, 2022, the former business transactions have been classified as discontinued operations. The operating result of these discontinued operations are as follows:

Revenue	12,845
Loss on disposal of assets	120,684
Loss on remeasurement of assets	117,907
Net loss from discontinued operations	(225,746)

Revenues were from the sale of scooters. All revenues for the nine months ended March 31, 2022 from North America.

On January 1, 2022, the Company entered into an agreement with Raytroniks Corporation (“Raytroniks”) and Willie Ray Norwood Jr. to transfer its legacy Scoot-E-Bike assets to Raytroniks. The assets include intellectual property, Scoot-E-Bike inventory and the Company’s ownership of Scoot-E-Bike Inc. In return, Raytroniks settled all debt claims owed to them by the Company. The agreement resulted in a loss $91,682.

On January 11, 2022, the Company entered into an asset purchase agreement with West Hall Tech Ltd. to sell assets including: scooter inventory including parts and components, all rights and logos held by the Company to the unregistered trademarks “LOOPShare” and “Loop Scooters” and the loopscooters.com domain name. In return, West Hall Tech Ltd. entered into a lease agreement with the Landlord at 131 Water Street, the Company’s former premises, and assumed responsibility for disposal of the assets2. The asset purchase resulted in a loss of $29,002.

During the nine months ending March 31, 2022, prepaid expenses and loans totaling $117,907 that were acquired on the share exchange agreement with GFMC were remeasured and written down to their realizable value of $nil.

Financial Performance

Performance was as expected for another quarter that could be defined as transitional. The net loss was as expected and was predominantly due to the accounting for the transactional listing fees on the acquisition of the Good Flour Milling Corp. (formerly VGAN Brands Inc.), and the accounting for share-based compensation on the implementation of the employee stock option plan.

Management is still working diligently on getting the Sidley Street facility, located in Burnaby, British Columbia, ready for production. During the quarter, the Company spent $291,749 on capital expenditures, which includes $253,340 in new food manufacturing equipment.

The City of Burnaby has recently issued a Certificate of Completion for the construction work at the facility, which is one of the final major milestones prior to operations, which are targeted to commence in the final quarter of fiscal 2022.

5. Future Development

Sidley Street Production Facility

Once the 7,000 square foot Sidley Street production facility is operational, the new production line, depending on packaging size, will allow GFCO to increase its dry good production between eight and fourteen times its current manufacturing volumes. The production line will be available for all of GFCO's products. These new volumes should assist GFCO in its goal of disrupting the global wheat flour market. GFCO anticipates the automated production line will be operational in the second calendar quarter of 2022. Once operational, GFCO expects that a single shift will be able to generate an annual $5 million retail value in product with a single daily shift and an annual $10 million retail value in product with two daily shifts. This assumes a product mix consisting of food service bags and retail bags and does not include additional retail value from the production of frozen pizza shells. The Company anticipates receiving the fully automated production line from Paxiom Inc., of Montreal, Quebec, in the final quarter of this fiscal year, and aims to be operational, post validation, in the first quarter of the next fiscal year.

Co-Packing

GFCO has entered into a co-packing arrangement with a premier United States based flour-milling and ingredient company. The arrangement opens a significant opportunity to ramp-up production in the United States of GFCO's. The co-packer has the production capacity for GFCO's dry mixes in volumes up to 40,000 pounds per day. Actual production will be based on consumer and food service demand for GFCO's products.

Sales & Marketing

The Company engaged Hive Naturals to assist with in store merchandising and sales of its line of products in Canada. Hive Naturals is a boutique agency that specializes in launching specialty food & beverage products on the shelves of prominent retailers in Canada. Hive Naturals strives to get prominent shelf presence and their team provides in store education which is vital for success. GFCO's newly rebranded products can now be found on the shelves of the following lower mainland BC retailers: Gourmet Warehouse, Nature's Pickings, Well Seasoned and Fish Counter. Additionally, the Company has a comprehensive list of existing food service clients that include Earls, Fairmont Hotels & Resorts, Virtuous Pie and Panago Pizza.

The Company showcased its artisanal, gluten-free flour and dry good blends at the CHFA NOW Trade Show: Western Canada's largest natural health and organics trade event. The CHFA NOW Conference and Trade Show was held at the Vancouver Convention Centre in Vancouver, BC, from April 21 to 24, 2022.

6. Summary of Financial Results

Results for the three and nine months ended March 31, 2022 and 2021 are as follows:

		For the Three Months ended March 31		For the Nine Months ended March 31	
		2022	2021	2022	2021
	Note				
Revenue	19	$ 185,196	$ -	$ 299,380	$ -
Cost of Sales		(287,405)	-	(391,444)	-
Gross Margin		(102,209)	-	(92,064)	-
Expenses					
Operating expenses:					
Depreciation	10	76,183	-	95,168	-
Finance costs	12,15,16	29,520	-	40,965	-
General and administrative	20	362,546	65,262	3,487,433	65,262
Sales and marketing	20	102,472	-	128,816	-
Share-based compensation	17	20,000	-	1,201,000	-
Total expenses		590,721	65,262	4,953,382	65,262
Net loss before other items		$ (692,929)	$ (65,262)	$ (5,045,446)	$ (65,262)
Other items					
Currency exchange gain		(265)		(2,889)	-
Loss on settlement of convertible debentures	16	-		(31,989)	-
Loss from continuing operations		**$ (693,194)**	**$ (65,262)**	**$ (5,080,324)**	**$ (65,262)**
Net loss from discontinued operations	18	(225,746)	-	(225,746)	-
Net loss for the period		**$ (918,940)**	**$ (65,262)**	**$ (5,306,070)**	**$ (65,262)**
Loss per share – basic and diluted		**$ (0.01)**	**$ 0.01**	**$ (0.08)**	**$ 0.01**
Weighted average number of common shares		**63,284,467**	**34,000,000**	**63,284,467**	**34,000,000**

<u>Revenue</u>

Revenue for the quarter and nine-month period ended March 31, 2022 was $185,196 and $299,380 which was derived predominantly from the sale of Good Flour dry mix products.

Revenues increased 62% from the prior quarter. This was due to the number of months of production the acquisitions had in the current quarter (3 months in the current quarter vs 2 months in the previous quarter) with a concurrent increase in the sale of pizza shells and increased dry mix sales.

Gross margin declined during the quarter due to the timing difference between increase in inventory inputs and the increase in product pricing. It is expected to increase going forward.

Revenue for the three and nine month period ended March 31, 2022 was derived 100% from North America

Expenses

Overall expenses were predominantly made up of management wages and marketing subcontractor fees. Total expenses for the nine-month period ended March 31, 2022 were $4,953,382. The difference in the two totals is due to professional fees incurred prior to the merger and acquisitions (note 4).

The Company recognized total expenses of $590,720 for the quarter ended March 31, 2022. Total expenses for the quarter were down from the previous quarter due to the listing expenses and initial recording of the share-based compensation in the previous quarter. After removing these expenses as one-time accounting entries, total expenditures were up 15% from the previous quarter. This expected, as the prior quarter only included two months (November, December 2021) of operations from the acquired companies (note 4). In addition, the Company also increased spending on marketing with the addition of Hive Naturals and the CFHA trade show.

Depreciation and Finance Costs

Depreciation and finance costs were up from the previous quarter due to the increased number of operating months of the acquired companies (note 4).

Depreciation expense consists of depreciation on capital expenditures and depreciation on the right of use assets. During the quarter, capital expenditures totaled $291,749 which resulted in increased depreciation. Depreciation on the right of use assets remained consistent with prior periods.

Finance costs are made up of accretion expense recorded on lease liabilities, CEBA loans and convertible debt. Cash expenditures on bank charges and interest are also included. Finance costs were consistent with prior periods.

General and Administrative Expenses

General and Administrative Expenses include:

	General and administration	Sales and marketing
	$	$
Accounting and legal	496,758	-
Consulting	60,928	112,943
Listing fees	2,567,677	-
Office expenses	125,202	15,873
Personnel	208,505	-
Travel	28,362	-
	$ 3,487,433	$ 128,816

During the 3 month period ending March 31, 2022 the Company reclassified $300,000 of consulting fees to legal and accounting. These legal fees were accrued in the previous quarter for work related to the acquisitions described in note 4. The Company incurred $82,393 of accounting and legal fees during the quarter excluding the reclassification. The Company incurred $32,650 in general and administrative consulting fees during the quarter.

Included in listing fees is a non-cash expense of $ 2,549,595 on the accounting of the SEA. The majority of accounting and legal fees were incurred as a result of the mergers and acquisitions. Consulting sales and marketing costs consist of subcontractor payments.

Offense expenses consist of general office supplies, insurance, common area rent expenses and utilities. Total office expenses incurred during the 3 month period ending March 31, 2022 were $115,617.

Common area rent expenses were $11,157 during the 3 month period ending March 31, 2022, no changes from the prior period when comparing month-to-month expenses.

Insurance costs were $16,618 for the 3 month period ending march 31, 2022. Insurance includes director's insurance and business insurance policies. Insurance is paid in advance and amortized on a month to month basis. The cost of business insurance increased $725 per month during the period as a result of adding the new facility to the existing policy.

During the period, sales and marketing consulting expenses incurred totaled $91,731. The increase over the prior period is due to spending to solidify online and social media presence.

Personnel consists of non-production wages. $142,799 of non-production wages were incurred during the period ending March 31, 2022. The increase in these wages over the prior quarter were due to certain management bonuses that were earned during the most recent quarter.

Travel expenses of $15,722 were incurred during the most recent quarter. This is an increase of 25%. Travel expenses were incurred by management to evaluate co-packing options in the US.

Stock-Based Compensation ("SBC")

The Company recognized SBC of $20,000 during the three months ended March 31, 2022. This was due to the vesting of executive stock options.

The total SBC for the nine months ended March 31, 2022 was $1,201,000. The Company granted stock options to officers, executives, directors, advisory board members and consultants. The expense recognized in a period fluctuates based on the number of underlying stock options with respect to their vesting schedules, net of options forfeited.

7. Summary of Quarterly Results

	For the quarters ended			
	March 31, 2022	**December 31, 2021**	**September 30, 2021**	**June 30, 2021**
	$	$	$	$
Revenue	299,380	114,183	-	-
Net Loss	(5,045,446)	(4,268,803)	(118,329)	(67,931)
Loss per share – basic and diluted from continuing operations	($0.08)	($0.07)	($0.00)*	($0.00)*

*Denotes loss less that .01 per share

The net loss increased in the quarter ended March 31, 2022 due to the increase in inventory and wage costs.

In addition, the Company has increased spending on marketing to facilitate the release of its re-branded retail product portfolio. Net losses for quarters ended prior to December 31, 2022 are the result of professional fees incurred preparing for the mergers and acquisitions in note 4 above. Prior to March 31, 2021, GFMC (the reverse takeover acquiror) did not prepare quarterly financial statements.

8. Financial Position

			March 31, 2022		June 30, 2021
Assets	Note				
Current assets:					
Cash and cash equivalent		$	2,391,158	$	754,802
Accounts receivable	7		179,417		70
Prepaid expenses and deposits	8		47,687		-
Due from related Party	14		-		81,500
Inventory	9		10,000		-
Total current assets			2,628,261		836,372
Non-current assets:					
Right of use asset	12		316,965		-
Intangible assets - net	5,11		187,025		-
Goodwill	5		564,396		-
Fixed assets - net	10		522,301		-
Total Assets		**$**	**4,218,948**	**$**	**836,372**
Liabilities and Shareholders' Equity (Deficiency)					
Current liabilities:					
Accounts payable and accrued liabilities	13	$	992,275	$	120,066
Convertible debentures and related interest	15		301,478		-
Lease liability	12		139,452		-
Total current Liabilities			1,433,205		120,066
Non-current liabilities:					
Loan payable	15		55,224		-
Lease liability	12		185,980		-
Convertible debentures and related interest	16		164,699		-
Total Liabilities		**$**	**1,839,108**	**$**	**120,066**
Total Shareholders' Equity		**$**	**2,379,840**	**$**	**716,306**

Assets

The increase in cash was due to the issuance of common shares of the Company to facilitate the mergers and acquisitions described in note 4. Right of use assets arise from the accounting for the Company's building leases. Intangibles and goodwill were acquired on the acquisition of The Gourmet Ghetto Food as outlined in note 4. $498,291 of fixed assets have been purchased since November 5, 2021, $291,749 of that amount was incurred in the most recent quarter.

Liabilities

Accounts payable consists of

		March 31, 2022		June 30, 2021
Accounts payable	$	**862,708**	$	**-**
Accrued liabilities		**80,232**		**120,066**
Accrued compensation		**49,335**		**-**
	$	**992,275**	**$**	**120,066**

The non-current liabilities as at March 31, 2022 were assumed on the mergers and acquisitions. The convertible debentures were issued as purchase consideration in the acquisition of the Gourmet Ghetto Food Ltd. The loans payable are CEBA loans that bear no interest that are anticipated to be repaid by December 31, 2023. The lease liabilities are the result of accounting for the right of use assets acquired. They relate to the Company's leases with its manufacturing facilities.

Equity

As at March 31, 2022, the Company had a Shareholders' equity of $2,379,840. The increase of in Shareholders' equity is due to the current year loss of ($5,306,070), being offset by share capital of $6,949,604. Included in share capital is $5,015,000 raised on the issuance of class A common shares, $1,201,000 of options issued to key management positions, and $753,605 of share capital acquired in mergers and acquisitions.

9. Liquidity and Capital Resources

As at March 31, 2022, the Company had working capital of $1,195,056.

Based on the Company's working capital of $1,195,056, it requires an additional $604,944 in funding to cover its expenditures for the next 12 month period. To date, the Company's operations have been almost entirely financed from equity financings. The Company will continue to identify financing opportunities in order to provide additional financial flexibility. While the Company has been successful raising the necessary funds in the past, there can be no assurance it can do so in the future. If the Company is unable to raise additional equity financing it may need to consider other alternatives including expenditure reductions or asset sales. The amounts shown in the table below are estimates only and are based on the information available to the Resulting Issuer as of the date of this MD&A.

Use of Available Funds	Amount ($)
Expand Production Capacity	150,000
Product Expansion	50,000
Increased Distribution	100,000
General and administrative expenses	1,300,000
Contingency	200,000
Total	**1,800,000**

Notwithstanding the proposed uses of available funds discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult, at this time, to definitively project the total funds necessary to effect the planned activities of the Company. For these reasons, management of the Company considers it to be in the best interests of the Company and its shareholders to afford management a reasonable degree of flexibility as to how the funds are employed among the uses identified above, or for other purposes, as the need arises. If, as a result of changes in the Company's business, assets, operations or circumstances, the Board and management of the Company should determine that the available funds should be employed other than as set forth above, the funds shall be allocated on such other business activities and assets as the board and management reasonably determine. Further, the above uses of available funds should be considered estimates. See the headings “Forward-Looking Information” and “Risk Factors” in this MD&A.

10. Financial Instruments and risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. The Company’s maximum exposure to credit loss is the book value of its financial instruments. The Company’s cash and cash equivalents is deposited with a major Canadian chartered bank and is held in highly-liquid investments. The Company’s receivables consist of taxes receivable and other receivables which represents the maximum credit risk for receivables.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at March 31, 2022, the Company had a cash balance of $2,391,158 (June 30, 2021 - $754,802) to settle current liabilities of $1,433,205 (June 30, 2021 - $120,066).

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company’s cash is not subject to interest rate risk. The loan payable and convertible debentures are not subject to interest rate risk as they are a fixed rate. The Company is not exposed to other significant interest rate risk due to the short-term maturity of its monetary assets and liabilities and amounts owing being non-interest bearing or bearing fixed rates of interest.

(ii) Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. A small percentage of the Company's sales are in US dollars and as such, the Company is exposed to the risk of foreign currency fluctuations over time. The Company monitors this exposure but has entered into no formal hedge agreements.

As at March 31, 2022, the Company was exposed to foreign currency risk through the following financial assets and liabilities denominated in foreign source currencies.

	March 31, 2022		**June 30, 2021**	
	US Dollar	Japanese Yen	US Dollar	Japanese Yen
Cash	27,818	58,968	-	-
Accounts receivable	13,316	-	-	-
Accounts payable	23,008	14,720,800	-	-
Total	61,412	14,779,768	-	-

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

(d) Fair Value of Financial Instruments

Fair value measurement disclosure includes classification of financial instrument fair values in a hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and due to related parties approximate their fair value given their short-term nature. The loan payable and convertible debentures are recorded at amortized cost. As at March 31, 2022 and June 30, 2021, the Company's had no Level 3 instruments.

11. Related Party Transactions

Key Management Compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consists of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer. The Company incurred the following transactions with key management personnel during the three and nine months ended:

	For the nine months ended March 31,			
		2022		**2021**
	$	154,250	$	
Salary & management fees				
Consulting		144,450	-	
Share-based compensation expensed		1,201,000	-	
	$	**1,499,700**	**$**	**-**

The following amounts are payable and due to/from related parties:

		March 31, 2022		**June 30, 2021**
Due to directors and officers		103,721		-
Convertible debentures		466,177		
	$	**569,898**	**$**	**-**

a) During the period related party loans totaling $81,500 were repaid.

b) Included in due to directors and offices was $42,741 payable to a law firm in which the director has a partnership interest and is included in accounts payable and accrued liabilities in the financial statements.

12. Off Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements.

13. Outstanding Share Data

	March 31, 2022	Date of Report
Common shares	63,284,467	63,284,467
Share purchase warrants	60,108,453	60,108,453
Stock options outstanding	10,015,050	7,015,050
Convertible Debt	2,500,000	2,500,000
	135,907,970	**132,907,970**

14. Risk Factors

The Company's business is subject to significant risks and uncertainties, which even a combination of careful evaluation, experience and knowledge may not eliminate. Please refer to the Company's Listing

Statement dated October 29, 2021 available on SEDAR at www.sedar.com for disclosure of the risk factors that may materially affect the Company's future performance, in addition to those referred to above.

15. Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, shareholders' equity, and the disclosure of contingent assets and liabilities as at the date of the financial statements, and expenses for the periods reported.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, which could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(a) The recoverability of receivables, prepayments and deposits that are included in the consolidated statements of financial position.

(b) The fair value of stock options, warrants and compensation options which requires the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments.

(c) The fair value of restricted share units which requires the estimation of the number of awards likely to vest on grant and at each reporting date up to the vesting date.

(d) The fair value of the investment for which a quoted market price in an active market is not available.

(e) The recoverability of deferred tax assets based on the assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions.

(f) 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.

16. Accounting Policies

The accounting policies followed by the Company are set out in Note 3 to the accompanying condensed consolidated interim financial statements for the nine month period ended March 31, 2022.

17. Subsequent Events

3,000,000 stock options were cancelled on May 14, 2022.