THE GOOD FLOUR CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the six months ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

This Management's Discussion and Analysis ("MD&A") of The Good Flour Corp.. ("GFCO" or the "Company") should be read in conjunction with the condensed interim financial statements and accompanying notes for the six months ended December 31, 2022 and audited financial statements for the year ended June 30, 2022. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Information contained herein is presented as of March 1, 2023 unless otherwise indicated. Additional information related to GFCO is available on SEDAR at www.sedar.com and on the Company's website at www.goodflour.co.

Unless otherwise indicated, all amounts discussed herein are denominated in Canadian dollars ($), which is the functional and reporting currency of the Company. The Company's year-end is June 30.

References in the MD&A are defined as follows:

Reference	**Period**
Q2 2022	Fiscal quarter for the three months ended December 31, 2022
Q2 2021	Fiscal quarter for the three months ended December 31, 2021
Year-to-date ("YTD") 2023	For the six months ended December 31, 2022
Year-to-date ("YTD") 2022	For the six months ended December 31, 2021
Fiscal year 2023 or FY 2023	For the year ending December 31, 2023
Fiscal year 2022 or FY 2022	For the year ended December 31, 2022

The Company's board of directors approved the release of this MD&A on March 1, 2023.

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 and growth plans;
- 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.

Description of the Business and Going Concern

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.

On July 8, 2021, the Company announced the signing of a share exchange agreement whereby it proposed to acquire 100% of the issued and outstanding shares of VGAN Brands Inc. ("VGAN") in exchange for 60,075,000 common shares of the Company (the "VGAN Transaction"). The completion of the VGAN Transaction was contingent on VGAN completing an acquisition (the "Ghetto Transaction") of all issued and outstanding share capital of The Gourmet Ghetto Food Ltd. ("Ghetto"). Ghetto manufactures and distributes a line of healthy, gluten-free and allergen free food products.

On November 4, 2021, VGAN completed the Ghetto Transaction. On November 5, 2021, the Company completed the VGAN Transaction. On November 8, 2021, the Company began trading on the Canadian Securities Exchange ("CSE") under the symbol "GFCO". The VGAN Transaction constituted a Reverse Takeover ("RTO"). The consolidated statements of financial position are presented as a continuance of VGAN and the comparative figures presented are those of the VGAN.

On December 31, 2021, VGAN and Ghetto were amalgamated under the Business Corporations Act (British Columbia).

The accompanying interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at December 31, 2022, the Company has not achieved profitable operations, has accumulated losses of $8,048,650 since inception and expects to incur further losses in the development of its business. The aforementioned conditions have resulted in material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations to generate funds or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations and management is intending to secure additional financing as may be required, there is no assurance it will be able to do so in the future. The accompanying interim financial statements do not include any adjustments that might result from the outcome of this uncertainty. Such adjustments could be material.

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.

Notable Milestones:

- July 2022 - the automated line ordered from Paxium is received at the Burnaby facility. The Company validates technology and begins high speed bagging of its retail product for Canada and the United States.
- September 2022 – The Company showcased itself at a booth in the CHFA Now tradeshow in Toronto, Ontario.
- September 2022 - The Company announces Canada wide expansion as exclusive provider of its gluten-free pizza shells to over 195 Panago locations in Canada, furthering its entry into the pizza market.
- September 2022 - significant depth is added to the Company's distribution with the addition of Harvest Sherwood Distribution, founded in 1989, and who service over 6000 customers in retail, foodservice, distribution and manufacturing.
- September 2022 - the Company moves ahead with a national order to USA-based Sprouts Farmers Markets at its 380 locations for its Fried Chicken Mix and Fish Batter.
- October 2022 - the Company signs on with KeHe Distribution in the United States. KeHe supplies natural and organic products to more than 30,000 stores, chains and independent grocery.
- November 2022, GFCO product hits shelves in 380 Sprouts Farmers Markets stores and is featured in specialty meat and fish section across the country.
- November 2022, GFCO announces intention to undertake non-brokered private placement to raise $1 million - $2 million.
- December 2022 – GFCO announces that it has closed its non-brokered private placement to raise gross proceeds of $1,925,250.
- December 2022 – Sprouts market retail partnership strengthens. GFCO products featured in Sprouts' innovation center and Sprouts completes 3rd order for GFCO products.
- January 2023 – GFCO products launched in Heinen's 23 Grocery Stores across the United States.
- January 2023 – GFCO announces development of new gluten-free protein pancake and waffle mix. Two separate product offerings announced: a children's version named Patty Cakes and an adult version aimed at the sports health and wellness sector.
- January 2023 – GFCO received 500 store order from leading global retailer.
- January 2023 – GFCO reaches 940 retail locations in North America
- February 2023 – GFCO announces new supply agreement with North American Meat Processor. GFCO began supplying a British Columbia-based meat processing plant ("the New Client") with its gluten-free ("GF") chicken mix. The New Client is using the GFCO chicken mix for foods such as GF chicken wings, GF chicken tenders, and GF popcorn chicken.
- February 2023 – GFCO products available for purchase on Amazon.
- February 2023 – GFCO hits milestone with over 70,000 GF pizza crusts delivered to Canadian pizza chain Panago Pizza.

Summary of Quarterly Results

The following tables set forth selected financial information of the Company for the eight most recently completed quarters. This information is derived from unaudited quarterly financial statements and audited annual financial statements prepared by management in accordance with IFRS.

For the three months ended

	December 31, 2022	**September 30, 2022**	**June 30, 2022**	**March 31, 2022**
Revenues	368,362	285,764	$ 182,027	$ 185,196
Cost of sales	(627,988)	(388,816)	(220,805)	(287,405)
Expenses & other	1,423,570	583,524	200,337	545,094
Net (loss for the period)	(1,683,196)	(686,576)	(239,115)	(647,303)
Per share – basic and diluted	(0.02)	(0.01)	(0.01)	(0.01)

	December 31, 2021	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**
Revenues	$ 114,183	$ -	$ -	$ -
Cost of sales	(104,039)	-	-	-
Expenses & other	2,152,331	-	-	-
Net (loss for the period)	(1,890,929)	(118,329)	(67,931)	(65,263)
Per share – basic and diluted	(0.07)	(0.01)	(0.01)	(0.01)

The Company had no revenue or cost of sales until Ghetto was acquired in the quarter ended December 31, 2021. Expenses incurred by the Company to that point were legal accounting related. The abnormally high net loss that was incurred in the quarter ended December 31, 2021 was predominately due to the recorded of listing expense, stock-based compensation, and legal fees related to the VGAN Transaction and the Ghetto Transaction. Commencing the quarter ended December 31, 2021 the Company began producing revenue and has seen growth in its revenue since that time as a result of automation and sales and marketing initiatives. Cost of sales have also increased as more product is being produced and due to higher labour costs. The Company expects the trend of increase revenues and cost of sales to continue through the current fiscal year as additional sales contracts are concluded and the labour market remains tight. Prior to March 31, 2021, VGAN (the RTO acquiror) did not prepare quarterly financial statements.

Expenses by nature

For the three months ended December 31, 2022:

	Cost of sales	General and administrative	Sales and marketing
Personnel	$ 408,704	$ 322,870	$ -
Travel	-	31,948	-
Office	68,536	128,560	-
Depreciation	20,600	-	-
Raw Materials	518,964	-	-
Consulting	-	-	331,137
Accounting and legal	-	242,889	-
Advertising and marketing fees	-	-	651,813
Totals	$ 1,016,804	$ 726,267	$ 982,950

For the three months ended December 31, 2021

	General and administrative	Sales and marketing
Personnel	$ 65,706	$ -
Travel	12,639	-
Office	9,585	5,132
Consulting	419,207	21,212
Accounting and legal	57,950	-
Listing Fees	2,559,800	-
Totals	$ 3,124,887	$ 26,344

Cost of sales

Cost of sales increased $239,172 from the previous quarter. This is due to the following:

- increased personnel costs which is the result of increases to pizza production and dry food production to fill growing demand.
- Increase in raw materials purchases to fill dry goods and pizza orders.

Cost of sales was not disclosed by nature at December 31, 2021.

General and administrative

General and administrative costs increased $126,031 from the previous quarter mainly due to the increase in accounting and legal expenses associated with the June 30, 2022 year-end audit.

Personnel consists of non-production wages. $322,870 of non-production wages were incurred during the period ending December 31, 2022. Overall personnel costs decreased from the previous quarter due to the shift of certain employees from administrative focus to production focus.

Sales and marketing

Sales and marketing expenses increased by $734,260 in the current quarter. The increase was the result of increased spending on investor relations and increased payments to sales consultants.

Depreciation expense consists of depreciation on capital expenditures and depreciation on the right of use assets. The slight decrease in depreciation expense was the result of a change in accounting estimates.

Results of operations

For the six months ended December 31, 2022

During the six months ended December 31, 2022, the Company recorded a net loss of $2,369,772 as compared to a net loss of $4,387,130 for the comparable six months ended December 31, 2021. Total revenues have increased to $654,126 compared to $114,183 for the comparable six months ended December 31, 2021.

Total expenses and other items for the six months ended December 31, 2022 amounted to $2,007,094 as compared to $4,397,274 for the comparable six months ended December 31, 2021 a decrease of $2,390,180, which includes non-cash expenditures of $307,820 for depreciation, finance costs and share based payments.

The reasons for the large difference relate to the costs of the RTO and are explained above. Specifically, listing expense of $2,559,800 was incurred in Q2 2021 along with consulting fees of $419,207 which accounted for the remainder of the difference.

Additionally, the VGAN and Ghetto Transactions which resulted in the Company's commencement of operation were not completed until the middle of Q2 2021. Consequently, the six month comparable period ending December 31, 2021 had only 2 months of operating activities.

Expenses by Nature

For the six months ended December 31, 2022:

	Cost of sales	General and administrative	Sales and marketing
Personnel	$ 408,704	$ 322,870	$ -
Travel	-	31,948	-
Office	68,536	128,560	-
Depreciation	20,600	-	-
Raw Materials	518,964	-	-
Consulting	-	-	331,137
Accounting and legal	-	242,889	-
Advertising and marketing fees	-	-	651,813
Totals	$ 1,016,804	$ 726,267	$ 982,950

For the six months ended December 31, 2021:

		General and administrative		Sales and marketing
Personnel	$	65,706	$	-
Travel		12,639		-
Office		9,585		5,132
Consulting		419,207		21,212
Accounting and legal		57,950		-
Listing Fees		2,559,800		-
Totals	$	3,124,887	$	26,344

Results for the three months ending December 31, 2022 and 2021 are as follows:

During the three month period ending December 31, 2022, the Company recorded a net loss of $1,683,196 as compared to a net loss of $4,268,803 for the same period ending December 31, 2021. The reasons for the difference relate to the costs of the VGAN and Ghetto transactions and are explained above. In addition, the Company has seen a significant increase in revenue to $368,362 for three month period ending December 31, 2022 as compared to $114,183 in the prior period. The Company's sales and marketing efforts have been successful in increasing the customer base (as detailed above) which has resulted in increased revenues from product sales.

Revenue

Gross revenue for the three months ended December 31, 2022 from the sales of dry food mixes and frozen food products totaled $409,612. Revenues are shown net of rebates and marketing fees paid to distributors of $41,250.

Revenues increased by $82,598 from the prior quarter. The increase in revenue from the prior quarter is primarily due to increased orders from retail customers.

Revenues for the quarter-ended December 31, 2022 were derived 100% from North America

Expenses

The Company recognized total expenses and other items of $1,423,570 in Q2 2022. This was up from $583,524 in the previous quarter. The increase was due to increased investor relations and marketing expenses to raise public awareness about the Company and its products.

The Company recorded stock-based compensation of $45,933 in respect of incentive stock options and during the quarter ended December 31, 2022. This was due to the vesting of stock options.

Liquidity and capital resources

The statements of financial position as of December 31, 2022, indicated a cash position of $1,069,253 (June

30, 2022 - $1,393,681), and total current assets of $1,771,701 (June 30, 2022 - $1,735,708). The increase in current assets can be attributed to the securing of raw materials prior to the end of Q2. In addition, accounts receivable were higher at the end of Q2 due to the timing of some large retail orders.

The total assets of the Company totaled $2,818,065 (June 30, 2022 - $2,756,508) and primarily consists of property and equipment purchased in the prior year and cash that was raised as a part of a private placement that occurred on December 9, 2022.

The Company's total liabilities amounted to $1,990,703 (June 30, 2022 - $1,828,563) that mainly consisted of $1,437,630 in accounts payable and accrued liabilities, and $246,067 in convertible debt that was issued on the acquisition of Ghetto. On August 4, 2022 the convertible debt holders exercised the conversion option on the debt resulting in a reduction of $87,500 that was added to share capital. Concurrently, the Company settled $43,750 of the convertible debt in cash. On November 4, 2022, the convertible debt holders exercised the conversion option on the debt resulting in a reduction of $87,500 that was added to share capital.

The breakdown of accounts payable is as follows:

		December 31, 2022		**June 30, 2022**
Accounts payable	$	420,030	$	854,838
Accounts payable (statute of limitations)		675,220		-
Obligation to issue restricted stock units		126,230		-
Accrued liabilities		216,150		120,776
	$	**1,437,630**	**$**	**975,614**

Included in accounts payable is $675,220 of payables that were acquired on the reverse takeover of LOOPShare Ltd. in the prior year. The Company does not expect to ever repay these amounts as they are beyond the basic limitation period for debt claims in British Columbia.

Included in accrued liabilities is an accrual of audit fees from the prior fiscal year ended June 30, 2022 and accruals related to payroll.

December 31, 2022, the Company had a working capital surplus of $178,023 (June 30, 2022 – working capital of $555,912). The increase in its working capital is due to the private placement and timing with respect to the purchase of raw materials and sales that were made near the end of Q2.

Total shareholders' equity was comprised of share capital of $5,728,332 (June 30, 2022 – $3,615,291), reserves of $3,147,680 (June 30, 2022 - $3,609,102) and accumulated deficit of $8,048,650) (June 30, 2022 5,678,878).

The Company's forecasted fixed operating expenditures for the next 12 months are $2,501,048 detailed as follows:

Marketing & Sales	$248,500
Wages and Salaries	$1,320,000
Rent	$212,381
Other General and Administrative Expenses	$520,167

Total	**$2,301,048**

The Company believes that the current capital resources and expected are revenues are not sufficient to pay the fixed operating expenditures for the next twelve months and is in the process of raising additional funding to fund its operating expenses and its development of its products. The Company will continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

Since the Company may not be able to generate enough cash from its operations in the foreseeable future, the Company will have to rely on loans from external or related parties and the issuance of equity, to fund ongoing operations and investment. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to issue shares on acceptable terms or at all.

The Company manages its capital structure in order to ensure sufficient resources are available to meet operational requirements and safeguard its ability to continue as a going concern. There are no externally imposed capital requirements on the Company. Management considers the items included in shareholders' equity (deficit) and working capital as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operation of the Company. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing.

This MD&A has been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at December 31, 2022, the Company has accumulated losses of $8,048,650 since inception and expects to incur further losses in the development of its business, all of which are material uncertainties that cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations to generate funds or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain development of the business.

The Company only recently started generating revenue and cash flows used in its operations are still negative; as such, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of common shares. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There was no change to the Company's management of capital during the period ended December 31, 2022. The Company is not subject to any externally imposed capital requirements.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

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.

These estimates and assumptions are disclosed further in Note 4 of the financial statements.

Financial and Other Instruments

A fair value hierarchy prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in 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 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to their short-term nature.

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

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 customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. The Company provides credit to its clients in the normal course of operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent losses. The Company's maximum exposure to credit risk is the carrying amounts of cash and accounts receivable on the statements of financial position.

Accounts receivable consists of trade receivables of $245,295 and $149,291 of sales tax receivable. The Company provides credit to very limited customer base in the normal course of business and has established credit evaluation via an active direct consultation with its customers to mitigate credit risk. Accounts receivable are shown net of any provision made for impairment of receivables. Due to this factor, the Company believes that no additional credit risk, beyond amounts provided for collection loss, is inherent in accounts receivable.

Expected credit loss ("ECL") analysis is performed at each reporting date using an objective approach to measure expected credit losses. The provision amounts are based on direct management interface with the customer. The calculations reflect the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, business failure, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments over the negotiated contract period. The aging analysis of accounts receivable is as follows:

	December 31, 2022	**June 30, 2022**
Current to 3 months	$ 202,277	$ 85,811
Over 3 months	43,018	9,536
Trade receivables	**$ 245,295**	**$ 95,347**

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. As at December 31, 2022, the Company has a working capital surplus of $178,023. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company may seek additional financing through equity and debt offerings and advances from related parties, but there can be no assurance that such financing will be available on terms acceptable to the Company.

(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.

(d) 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.

(e) 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. The Company's sales are in US dollars and the Company's manufacturing costs are largely denominated in US dollars, providing a natural hedge against the risk of foreign exchange fluctuations. However due to long lead times for parts used in manufacturing the Company's products, the Company is exposed to the risk of foreign currency fluctuations over time. The Company is also exposed to fluctuations in foreign currencies through its operations in Japan. The Company monitors this exposure but has entered into no formal hedge agreements.

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

	December 31, 2022		**June 30, 2022**	
	US Dollar	Japanese Yen	US Dollar	Japanese Yen
Cash	$ 12,688	58,968	$ 6,345	58,968
Accounts receivable	123,937	-	28,440	-
Accounts payable	134,962	18,078,247	52,662	18,078,247
Total	$ 271,587	18,137,215	$ 87,447	18,137,215

(f) 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.

Related Party Transactions

During the three months ended December 31, 2022 and 2021, the Company incurred the following related party transactions:

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were made during the three months ended December 31, 2022.

Key Management Compensation

The Company incurred the following transactions with directors, officers and companies that are controlled by directors of the Company.

		For the three months ended December 31		
		2022		2021
Salary and management fees	$	130,185	$	44,500
Legal fees		32,100		70,950
Share-based compensation expensed		20,252		1,181,000
	$	**182,537**	**$**	**1,296,450**

A portion of the legal fees are payable to a law firm that a director (Denis Silva) is a partner in.

The following amounts are payable and due to/from related parties. These amounts are unsecured, are non-interest bearing and have no fixed terms of repayment.

	December 31, 2022		June 30, 2022
	$		$
Due to directors and officers	20,740		32,767
Convertible debentures	246,067		313,800
	$266,807	**$**	**346,567**

On August 4, 2022, the Company issued 437,500 common shares with a fair market value of $0.38 per share to related party convertible debt holders (Hamid Salimian (Director) and Jennifer Peters (President of The Good Flour Milling Corp.). Concurrently, the Company also repaid $43,750 of convertible debentures held by related parties.

On November 4, 2022, the Company issued 218,750 common shares with a fair market value of $0.40 per share to related party convertible debt holders (Hamid Salimian (Director) and Jennifer Peters (President of The Good Flour Milling Corp.) on conversion of a portion of the outstanding convertible debt.

Off Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Outstanding Share Data

	December 31, 2022	Date of Report
Common shares	69,462,707	72,181,457
Share purchase warrants	65,609,166	65,575,713
Stock options outstanding	7,007,550	7,007,550
Restricted Share Units outstanding	1,000,000	1,000,000
Convertible Debt	1,625,000	1,406,250
	144,704,423	**147,170,970**

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.

Accounting Policies

The accounting policies followed by the Company are set out in Note 3 to the accompanying audited financial statements for the year-ended June 30, 2022.

Subsequent Events

On February 4, 2023, the Company settled convertible debentures with a book value of $87,500 by issuing 218,750 common shares at deemed price of $0.20 per share.

On February 16, 2023, warrant holders exercised 2,500,000 warrants at an exercise price of $0.25. As a result of the exercise of the warrants, the Company issued 2,500,000 common shares and received gross proceeds of $625,000.