THE GOOD FLOUR CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the years ended June 30, 2023 and 2022

(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 audited financial statements and accompanying notes for the year ended June 30, 2023 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 November 2, 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**
Q4 2023	Fiscal quarter for the three months ended June 30, 2023
Q4 2022	Fiscal quarter for the three months ended June 30, 2022
Fiscal year 2023 or FY 2023	For the current fiscal period ending June 30, 2023
Fiscal year 2022 or FY 2022	For the fiscal period ending June 30, 2022

The Company's board of directors approved the release of this MD&A on October 30, 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 June 30, 2023, the Company has not achieved profitable operations, has accumulated losses of $11,793,578 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 (including protein 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.
- 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.
- 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.
- February 2023 –GFCO launched a children's protein pancake and waffle mix called "Patty Cakes™." Patty Cakes™ is enriched with 23 grams of potato protein and 100% free of gluten and all top allergens, including dairy, nuts, egg, and soy.
- March 2023 – Armando Christian Perez joins GFCO as a strategic advisor.
- March 2023 – GFCO showcases its better for you gluten/allergen free flour and dry good blends at the CHFA NOW Trade Show: Western Canada's largest natural health and organics trade event.

- April 2023 – GFCO announces a partnership on a new dry mix recipe prepared by GFCO that will be used by Cactus Club Café on a number of its menu items. Cactus Club Café is a Canadian collection of restaurants that is known for its innovative dishes, made with only the freshest ingredients. The restaurant was founded in Vancouver in 1988 and has expanded to over 30 locations across Canada.
- May 2023 – GFCO appoints new Chief Executive Officer, Hamid Salimian. Mr. Salimian brings extensive experience in the food industry, having served in various leadership roles over the course of his career.
- July 2023 – GFCO engages Presenture LLC food service brokers to expand US food service business. Presenture has over 20 clients for which it manages over $300 million in sales. This collaboration brings together the expertise and resources of both companies to further enhance GFCO's distribution network and drive its growth in the food service market.
- August 22, 2023 – GFCO Burnaby production facility received two certifications from BRC - British Retail Consortium: the BRCGS - Global Food Safety Standard. 9th edition and GFCP - Gluten-free Certification program 3rd edition. BRCGS's Global Food Safety Initiative GFSI benchmark provides a framework for facilities to manage product safety, quality with Good Manufacturing Practices and systems like HACCP. The BRC Gluten-Free Certification Program (GFCP) a certification will allow the Company to include the BRCGS trusted logos and marks on its products.
- September 25, 2023 – A non-brokered private placement to raise up to $1,200,000 was announced. GFCO intends to use the net proceeds for general corporate, investor relations and working capital purposes.
- October 16, 2023 – GFCO announces sales strategy to focus on food service market in Canada and the United States. As it relates to retail, the Company’s focus is on retailers where inventory management and shipping costs are the most manageable. Based on this, the Company will not be continuing with its larger scale United States retail operations and as a result its products will be discontinued in Sprouts Farmers Market and Heinen’s Grocery Stores.

Selected Annual Information

The table below sets out certain selected financial information regarding the operations of the Company for the period indicated. The selected financial information has been prepared in accordance with IFRS and should be read in conjunction with the Company's financial statements and related notes.

	June 30, 2023	June 30, 2022	June 30, 2021
	(Audited)	(Audited)	(Audited)
Revenues	$ 1,189,497	$ 481,407	$ -
Cost of sales	(2,048,266)	(612,249)	-
Total expenses & other	5,255,931	5,345,010	133,194
Net and comprehensive loss for the period	(6,114,700)	(5,545,184)	(133,194)
Basic and diluted loss per share	(.08)	(0.10)	(0.01)
Total assets	1,165,146	2,756,508	836,372

During the year ended June 30, 2023, the Company reported a total net loss of $ 6,114,700, ($0.08 basic and diluted loss per share) compared to a net loss of $5,545,184 ($0.10 basic and diluted loss per share) during the year ended June 30, 2022. The net loss in 2022 primarily made up from cash and non-cash expenditures related to the Ghetto and VGAN transactions, as there was only 8 months of operations at the end of the fiscal year. In 2023, the net loss is made up of approximately $2M in non-cash expenses, $1.5M in investor relation expenses, with the remainder being operating losses. Fiscal years 2022 and 2023 saw the Company invest in its facilities through the acquisition of manufacturing equipment to automate operations and through the certification of its Burnaby facility to achieve the BRC gluten-free certification. With the facilities ready for high volume production, the Company is set to continue its significant food service sales growth.

During the year ended June 30, 2021, the Company reported a net loss of $133,194 ($0.01 basic and diluted loss per share). The loss incurred for the year-ended June 30, 2021 consists mainly of legal and accounting fees incurred. There were no operations in the Company until Q2 of FY 2022.

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

	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Revenues	$ 295,560	$ 239,811	$ 368,362	$ 285,764
Cost of sales	(680,478)	(350,984)	(627,988)	(388,816)
Expenses & other	876,336	2,372,501	1,423,570	583,524
Net (loss for the period)	(1,261,254)	(2,483,674)	(1,683,196)	(686,576)
Per share – basic and diluted	(0.02)	(0.03)	(0.02)	(0.01)

	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Revenues	$ 182,027	$ 185,196	$ 114,183	$ -
Cost of sales	(220,805)	(287,405)	(104,039)	-
Expenses & other	200,337	545,094	2,152,331	-
Net (loss for the period)	(239,115)	(647,303)	(1,890,929)	(118,329)
Per share – basic and diluted	(0.01)	(0.01)	(0.07)	(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 increased net loss that was incurred in the quarter ended December 31, 2021 was predominately due to 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. Sales growth has been mirrored by growth in cost of sales. The Company has seen costs for raw materials incrementally increase since production began in Q2 of 2021. Labour costs have also risen dramatically in the same time frame. It is clear that inflationary pressures have impacted profit margins substantially since production began. This directly affected gross margins, as the Company was locked into pricing agreements that contractually could not be renegotiated until Q1 of fiscal 2024. The negotiations for these price increases are currently underway. The Company expects the trend of increased revenues and cost of sales to continue through the current fiscal year as additional sales contracts are concluded and the labour market remains tight. Overall expenses during the current quarter decreased due to expenditures on investor relations and the revaluation of share-based compensation that took place at the end of the prior 3-month period. These expenses were a mixture of cash and non-cash charges. Revenues were higher in the current quarter than the previous quarter due to increased food service demand for the Company’s products.

Results of operations – 2023 Q4 vs 2023 Q3

Revenue

Revenues increased $55,749 from the prior quarter. The increase is due to the additional food service demand in both the frozen and dry goods. The first orders for 2 new food service customers were filled in June 2023.

Cost of Sales

Cost of sales increased $329,494 from the previous quarter due to higher sales volumes and the allocation of certain non-cash Q4 overhead costs most notably depreciation.

General and administrative

General and administrative costs were up $81,038 from the previous quarter, this was due to costs associated with the completion of the BRC audit certification at the Burnaby facility. In addition, accounting and legal accruals increased in anticipation of the annual year-end financial statement audit.

Personnel consists of non-production wages. $211,623 of non-production wages were incurred during the period ending June 30, 2023. Overall personnel costs decreased by $47,257.

Sales and marketing

Sales and marketing expenses decreased by $1,442,740 in the current quarter. The decrease from the previous quarter was the result of decreased spending on investor relations activities. In addition, the Company reduced spending on marketing its retail products as it continues to focus on food service offerings.

Depreciation expense consists of depreciation on capital expenditures and depreciation on the right of use assets. Depreciation expense was consistent with the prior quarter; however, more depreciation was allocated to cost of sales in Q4.

Results of operations – Quarterly comparison – 2023 Q4 vs 2022 Q4

Expenses by nature

For the three months ended June 30, 2023:

	Cost of sales	General and administrative	Sales and marketing
Personnel	$ 212,249	$ 211,623	$ -
Travel	-	53,247	-
Office	(7,933)	132,246	(128)
Raw Materials	336,742	-	-
Depreciation	145,123	-	-
Consulting	19,175	-	141,076
Accounting and legal	-	98,947	-
Finance costs	24,818	-	-
Advertising and marketing fees	-	-	(122,981)
Totals	$ 730,174	$ 496,063	$ 17,967

During the three-month period ending June 30, 2023, the Company recorded a net loss of $1,261,255 as compared to a net loss of $239,115 for the same period ending June 30, 2022. The main reason for the difference is the non-cash impairment charges on property and equipment that were determined in Q4 of 2023.

General and administrative and cost of sales personnel costs were much higher than in the prior year Q4. Production and administrative staff were hired in order to handle increased production. Administrative costs were abnormally higher in Q4 2023 due to the time commitment that the BRC audit required. In addition, accruals for the annual audit were made in Q4 in the current year and not in the comparative period.

Revenue

Gross revenue for the three months ended June 30, 2023 from the sales of dry food mixes and frozen food products totaled $295,560. For the comparative period in 2022, revenues were $182,027. The Company is executing on its strategy to grow the food service sector, which accounts for the majority of the growth from the comparative period.

Substantially all of the revenues for the quarter-ended June 30, 2023 were derived from North America.

Expenses

The Company recognized total expenses and other items of $839,405 in Q4 2023. This was up from $200,337 in Q3 2022. The increase was due to the impairment on property and equipment that was recorded in Q4 2023.

The Company recorded stock-based compensation recovery of $207,415 in respect of incentive stock options and during the quarter ended June 30, 2023. This was due to the revaluation and vesting of certain stock options.

Virtually all of the expenditures have increased over the Q4 2022 comparative period. This is due to increased operations and the general growth of the Company.

Results of operations – fiscal 2023 vs fiscal 2022

Revenue

Revenue increased from $481,407 from the year ended June 30, 2022 to $1,189,497 for the year ended June 30,2023, an increase of $708,090. After the difference in operating months is accounted for, the sales growth is due to the addition of new customers and the Company executing on its sales strategy.

Expenses

Total expenses and other items for the year ended June 30, 2023 amounted to $5,217,350 as compared to $5,345,010 for the comparable year ended June 30, 2022 a decrease of $36,170. This decrease is due to non-cash listing fees that were incurred in 2022 exceeding the spending in FY 2023 on investor relations, and the prior year impairment calculations exceeding the current year calculations.

Overall

During the year ended June 30, 2023, the Company recorded a net loss of $6,114,701 as compared to a net loss of $5,475,852 for the year ended June 30, 2022. The year over year losses are consistent. The losses in 2022 included non-recurring non-cash expenses of listing expense and impairment charges in excess of $3M. The current year loss includes non-recurring non-cash marketing fees and impairment charges of $1,372,434.

The VGAN and Ghetto Transactions which resulted in the Company's commencement of operations were not completed until November 2021. Consequently, the comparable period ending June 30, 2022 had only 8 months of operating activities.

Expenses by Nature

For the year ended June 30, 2023:

			2023
	Cost of sales	General and administrative	Sales and marketing
Personnel	$ 733,600	$ 793,373	$ -
Travel	-	128,660	-
Office	88,177	324,405	-
Depreciation	127,706	-	-
Raw Materials	1,054,790	-	-
Consulting	19,175	-	590,0823
Accounting and legal	-	390,917	-
Finance costs	24,818	-	
Advertising and marketing fees	-	-	1,871,541
Totals	$ 2,048,266	$ 1,637,355	$ 2,461,624

For the year ended June 30, 2022

			2022
	Cost of sales	General and administrative	Sales and marketing
Personnel	$115,549	$ 461,198	$ -
Travel	-	57,256	-
Office	20,652	250,341	-
Depreciation	100,339	-	-
Raw Materials	376,099	-	-
Consulting	-	-	297,879
Accounting and legal	-	559,231	-
Advertising and marketing fees	-	-	77,183
Totals	$612,249	$1,328,026	$ 375,062

Cost of Sales

Cost of sales increased from 2022 due to the increased number of months of production and the increase in overall sales of the Company. The Company experienced increased raw material and labour costs due to higher-than-expected inflation. Finally, in 2023 there were significantly more retail sales, which incur a proportionately higher cost of sales than food service sales.

General and administrative

General and administrative costs increased over the prior year. Personnel increased due to the hiring of administrative bodies to handle the growth of the Company. The increase in travel expenses was mainly due to the number of months in operation. Travel expenses are incurred to support potential or existing customers with the Company's product lines. Accounting and legal costs decreased in 2023 due to the non-recurring legal costs incurred in the VGAN and Ghetto Transactions in the prior year.

Sales and marketing

Sales and marketing costs in 2022 were incurred in the re-branding of existing product lines. Sales and marketing costs in 2023 included expenditures on investor relations. The Company made a priority of reviewing its sales consultants in the current year to ensure the focus on food service was consistent with their experience.

Liquidity and capital resources

The statements of financial position as of June 30, 2023, indicated a cash position of $237,193 (June 30, 2022 - $1,393,681), and total current assets of $733,846 (June 30, 2022 - $1,735,708). The decrease in current assets can be attributed to less inventory being on hand at the year end.

The total assets of the Company totaled $1,165,146 (June 30, 2022 - $2,756,508**)** and consists mainly of property and equipment, inventory and cash on hand in order of greatest to least dollar value.

The Company's total liabilities amounted to $1,864,994 (June 30, 2022 - $1,828,563) that mainly consisted of $1,351,802 in accounts payable and accrued liabilities, and $283,775 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, February 6, 2023 and May 4, 2023 the convertible debt holders exercised the conversion option on the debt resulting in a reduction of $131,250 that was added to share capital.

The breakdown of accounts payable is as follows:

		June 30, 2023		June 30, 2022
Trade accounts payable	$	439,203	$	854,838
Accounts payable (statute of limitations)		675,220		-
Accrued liabilities		237,379		120,776
	$	**1,351,802**	**$**	**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.

At June 30, 2023, the Company had a working capital deficit of $817,113 (June 30, 2022 – working capital of $555,912). The decrease in working capital is due to cash expended in regular operations and the fact that the Company has not yet reached profitability.

Total shareholders' equity was comprised of share capital of $7,521,322 (June 30, 2022 – $3,615,291**)**, reserves of $3,572,408 (June 30, 2022 - $3,609,102) and accumulated deficit of $11,793,579 (June 30, 2022 5,678,878).

The Company's forecasted fixed operating expenditures for the next 12 months are estimated at $1,326,990 detailed as follows:

Marketing & Sales	$46,400
Administrative Wages and Salaries	$553,300
Rent	$261,286
Other General and Administrative Expenses	$466,004
Total	**$1,326,990**

The Company's current capital resources and expected are revenues are not sufficient to pay the fixed operating expenditures for the next twelve months and it 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.

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 June 30, 2023, the Company has accumulated losses of $11,793,578 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 is generating revenue and cash flows; however, these 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 June 30, 2023. 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 $87,237 and $72,948 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:

	June 30, 2023	**June 30, 2022**
Current to 3 months	$ 73,062	$ 85,811
Over 3 months	11,675	9,536
Trade receivables	**$ 84,737**	**$ 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 June 30, 2023, the Company has a working capital deficit of $753,073. 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 June 30, 2023, the Company was exposed to foreign currency risk through the following financial assets and liabilities denominated in foreign source currencies.

	June 30, 2023		**June 30, 2022**	
	US Dollar	Japanese Yen	US Dollar	Japanese Yen
Cash	$ 146,094	541	$ 8,176	560
Accounts receivable	7,560	-	36,648	-
Accounts payable	38,194	165,777	67,860	171,562
Total	$ 191,848	166,318	$ 112,684	172,122

(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 years ended June 30, 2023 and 2022, 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 year ended June 30, 2023.

Key Management Compensation

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

	For the year ended June 30,			
		2023		2022
Salary and management fees	$	597,500	$	378,250
Legal fees		10,325		110,543
Share-based compensation expensed		160,064		275,121
	$	**767,889**	**$**	**763,914**

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.

	June 30, 2023		June 30, 2022	
Due to directors and officers	$	21,525	$	32,767
Due from related parties		-		-
Convertible debentures		228,504		313,800
	$	**250,029**	**$**	**346,567**

a) Included in legal fees is $10,325 paid to a law firm in which the director (Denis Silva) has a partnership interest and is included in accounting and legal in the financial statements.

b) Included in share-based compensation is the fair value of the vesting for the issuance of 5,750,000 stock options granted to directors and officers of the Company.

Off Balance Sheet Arrangements

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

Outstanding Share Data

	June 30, 2023	Date of Report
Common shares	75,250,207	80,050,207
Share purchase warrants	60,225,713	55,425,713
Stock options outstanding	7,207,550	4,642,550
Convertible debt	1,187,500	1,187,500
Restricted share units outstanding	6,000,000	6,000,000
	149,870,970	**147,305,970**

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, 2023.

Subsequent Events

Subsequent to June 30, 2023, the Company issued 4,800,000 common shares from exercise of warrants for gross proceeds of $400,000.

Subsequent to June 30, 2023, the Company received $112,500 in subscription proceeds related to an upcoming private placement.

Subsequent to June 30, 2023, 2,565,000 stock options were expired unexercised.