



**RDARS INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months and nine months ended August 31, 2023, and  
2022

Dated October 30, 2023

## RDARS INC.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Introduction

The following management discussion and analysis (“**MD&A**”) of the financial condition and results of the operations of RDARS Inc. (the “**Company**” or “**RDARS**”) constitutes management’s review of the factors that affected the Company’s financial and operating performance for the three months and nine months ended August 31, 2023. This MD&A should be read in conjunction with the unaudited interim condensed financial statements of the Company for the three months and nine months ended August 31, 2023 and the related notes contained there in (the “**Financial Statements**”). The Financial Statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and interpretations of the IFRS Interpretations Committee (“**IFRIC**”). All dollar figures included in the Financial Statements and in the following MD&A are quoted in Canadian dollars.

This MD&A is current as of October 30, 2023.

Additional information about the Company, including the Financial Statements, news releases, the Company’s Non-Offering Prospectus and other disclosure items of the Company can be accessed on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Forward Looking Statements and Forward-Looking Information

The information provided in this MD&A may contain forward-looking statements and forward-looking information about RDARS within the meaning of applicable securities laws. In addition, RDARS may make or approve certain statements or information in future filings with Canadian securities regulatory authorities, in news releases, or in oral or written presentations by representatives of RDARS that are not statements of historical fact and may also constitute forward-looking statements or forward-looking information. All statements and information, other than statements of historical fact, made by RDARS that address activities, events, or developments that RDARS expect or anticipate will or may occur in the future are forward-looking statements and information, including, but not limited to, statements and information preceded by, followed by, or that include words such as “may”, “would”, “could”, “will”, “likely”, “expect”, “anticipate”, “believe”, “intends”, “plan”, “forecast”, “budget”, “schedule”, “project”, “estimate”, “outlook”, or the negative of those words or other similar or comparable words.

Forward-looking statements and information involve significant risks, assumptions, uncertainties, and other factors that may cause actual future performance, achievement or other realities to differ materially from those expressed or implied in any forward-looking statements or information and, accordingly, should not be read as guarantees of future performance, achievement or realities.

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- the Company's business objectives and milestones and the anticipated timing of, and costs in connection with, the execution or achievement of such objectives and milestones;
- the Company's intended use of available funds;
- expectations regarding the demand for the Company's products;
- expectations regarding the ability and need to raise further capital;
- the Company's existing and planned command centers will allow the Company in achieving its stated goals;
- the Company will seek waivers and certification from all necessary regulatory bodies through the rigorous BVLOS testing of its products as the Company's applications progress during 2023; and
- the effects of COVID-19.

In addition, forward-looking statements, and information herein, including financial information, is based on certain assumptions relating to the business and operations of RDARS. Forward-looking statements are not a guarantee of future performance and are based upon a number of estimates and assumptions of management in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, including, without limitation, assumptions about:

- the ability of the Company to execute agreements that provide the Company with the necessary resources, or to raise any necessary additional capital on reasonable terms, in either case, to allow the Company to execute its business plan and achieve its stated milestones;
- the ability of the Company to secure agreements that provide for milestone payments;
- expected regulatory changes regarding the Company's industry;
- increased consumer interest in the use of the Company's products;
- that general business and economic conditions will not change in a material adverse manner;
- the accuracy of budgeted costs and expenditures;
- operating conditions being favorable such that the Company is able to operate in a safe, efficient and effective manner;
- the Company's ability to attract and retain skilled personnel;
- political and regulatory stability;
- the receipt of governmental, regulatory and third-party approvals, licenses and permits on favorable terms and any required renewals of the same;
- requirements under applicable laws;
- stability in financial and capital markets; and
- the Company's ability to carry out its plans for its existing and planned command centers and allow the Company in achieving its stated goals;
- the Company's ability in seeking waivers and certification from all necessary regulatory bodies through the rigorous BVLOS testing of its products as the Company's applications progress during 2023; and
- expectations regarding the level of disruption to the Company's business because of COVID-19.

Furthermore, such forward-looking information involves a variety of known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results,

performance or achievements of the Company to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking statements. Such risks include, without limitation:

- the Company's limited operating history;
- the Company's lack of profitability and negative operating cash flow;
- failure to develop successful product and service offerings;
- speed of introduction of products and services to the marketplace;
- significant development costs may adversely impact the Company;
- the Company's inability to complete additional financing;
- adverse market forces;
- the Company's inability to carry out its plans for its existing and planned command centers and allow the Company in achieving its stated goals;
- the Company's inability in seeking waivers and certification from all necessary regulatory bodies through the rigorous BVLOS testing of its products as the Company's applications progress during 2023; and
- COVID-19 pandemic.

Actual performance, achievement or other realities could differ materially from those expressed in, or implied by, any forward-looking statements or information in this MD&A and, accordingly, investors should not place undue reliance on any such forward-looking statements or information. Further, any forward-looking statement or information speaks only as of the date on which such statement is made, and RDARS does not undertake any obligation to update any forward-looking statements or information to reflect information, events, results, circumstances, realities or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law, including securities laws. All forward-looking statements and information contained in this MD&A and other documents of RDARS are qualified by such cautionary statements. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on RDARS's business or the extent to which any factor, or combination of factors, may cause actual realities to differ materially from those contained in any forward-looking statements.

Additional risk factors that can cause results to differ materially from those expressed in forward-looking statements in this MD&A are discussed in greater detail under the heading "Non-Exhaustive List of Risk Factors" in this MD&A, as such factors may be further updated from time to time in our periodic filings, available at [www.sedar.com](http://www.sedar.com), which risk factors are incorporated herein by reference. Although RDARS has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and forward-looking information in this MD&A, and the documents incorporated by reference herein, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There is no assurance that such statements and information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information contained in this MD&A.

## **Corporate Overview and Nature of Business**

RDARS Inc. is an early-stage drone technology company in the process of developing an autonomous drone security system with residential, commercial and industrial applications. The name RDARS is an acronym for Real Time one Alarm Response System, which describes the Company's development of a real time drone technology system for alarm response. The Company offers proprietary drone aircraft and technology solutions that enable real-time alarm response, verification, intervention, reporting, and evidence recording. RDARS is an original equipment manufacturer of its flagship product, the Eagle Watch Platform, comprised of Eagle Eye, a drone, Eagle Nest, a drone station, Eagle Rover, an indoor robotic system, and Eagle Watch Command & Control Software

RDARS completed its first production run of Eagle Eye and Eagle Nest products in October 2022. Eagle Rover development has been deferred to Q3 2023. The Eagle Watch Command & Control Software is an entire suite of software applications which maintain, control and secure the communications and data received from these autonomous systems. The software will ultimately be controlled by redundant command and control centers which the Company deployed in October 2022 in Miami, Florida and another secondary location to be determined.

The Company moved from development stage to realisation phase during three months ended August 31, 2023.

The Company's head office and registered office is located at 2 Covington Road, Suite 507, North York, Ontario M6A 3E2. The Company was incorporated under the Ontario Business Corporations Act on May 16, 2019. The fiscal year end of the Company is November 30.

## **Highlights**

The Company opened its first Unmanned Aerial System Command and Control Center in Miami, FL in October 2022. The center, in addition to several more planned centers for growth and redundancy purposes, will allow its Federal Aviation Administration ("FAA") licensed drone operators, using the Eagle Watch technology system, to manage its global fleet of autonomous systems, namely its Eagle Eye Drone and Eagle Rover Unmanned Ground Vehicle, improving the security situation of the property and people in the vicinity, and greatly enhancing situational awareness of the area of concern. As this technology and level of operational control falls under FAA's beyond visual line of sight environment ("BVLOS"), the Company will be seeking waivers and certification from all necessary regulatory bodies through the rigorous BVLOS testing of its products as the Company's applications progress during 2023 .

On December 1, 2022, the Company announced its finalization of development and testing of its unique and patent pending Eagle Watch Mesh Mod V1.0. This advancement enables remote Eagle Nest stations and Eagle Eye drones to communicate with each other locally and offer a remote Command and Control Centre option for enhanced operations.

On December 21, 2022, the Company obtained approval from Depository Trust & Clearing Corp. (“DTCC”) full service eligibility in the United States of America. The Company’s shares are now qualified to be held at the Depository Trust Company (“DTC”) and traded and serviced through DTC’s electronic book-entry system. DTC is a subsidiary of the DTCC, an American company that provides clearing and settlement services for the financial markets and settles the majority of securities transactions in the United States.

On January 1, 2023, the Company hired Daniel Kaufler, as Executive Team Lead for Sales, Marketing, and Business Development to further develop RDARS’ growing position in drone security solutions

On February 20, 2023, the Company had planned to hold its inaugural deployment event on George Washington’s birthday on Monday, February 20, 2023 in Miami, Florida. This event was to be the first post-pandemic grand meet and greet for all RDARS’ executives, employees, professionals, vendors, and shareholders to get together and celebrate the Company’s achievements and to showcase the live deployment of its innovative technology that is revolutionizing the security industry. Due to technical and logistical reasons the event was canceled and will be re-scheduled to a later date that has not yet been determined by the Company.

On March 9, 2023, the Company announced that after conducting significant research and testing of various UTM products, the Company had now formed a working relationship with Aloft Technologies, Inc. (“Aloft”) ([www.aloft.ai](http://www.aloft.ai)) and has integrated its advanced Unmanned Aircraft System Traffic Management (UTM) applications and features into the Eagle Watch V1.5 RC1. This update enabled the Company’s Eagle Watch software platform (“Eagle Watch”) with advanced airspace management and near instant response from the Federal Aviation Administration (FAA) for flight clearance.”

On June 12, the Company announced entering into a sales agreement to supply LTC Power Solutions LLC (“LTC”), a national energy management and services rental company for Eagle Watch Systems. The agreement will provide LTC with deployments of the Eagle Watch Platform at its distribution and equipment storage centres across the southeastern portion of the United States.

On June 20th, the Issuer announced entering into a Sales Agreement to supply Steinhardt Construction (“Steinhardt”) for Eagle Watch Systems. The agreement will provide Steinhardt with deployments of the Eagle Watch Platform at its construction site at Eden Gardens, Orlando. This marks a significant achievement for the Company, as it represents the first deployment of the Company's commercial "Real Time Autonomous Drone in a Box" solution to an additional vertical market - the construction industry – as well as industrial warehousing and manufacturing complexes to date.

June 27th, the Company announced the successful completion of the initial development and testing phase of its revolutionary Eagle Nest Off-Grid solution. This cutting-edge implementation provides solar power, communications, and shelter for the Eagle Eye drone and enables the system to be deployed anywhere within the SpaceX Starlink operational network. RDARS plans to initiate the deployment of these units for field testing in Q3 2023 at partner locations, with the system expected to be available for purchase in Q4 2023.

## Overall Performance and Discussion of Operations

The key factors pertaining to the Company's overall performance for the three months and nine months ended August 31, 2023 and the year ended November 30, 2022 are as follows:

- As at August 31, 2023, the Company had current assets of \$ 241,481 and current liabilities of \$3,569,451 resulting in a working capital deficiency of \$3,327,970 as compared to current assets of \$926,994 and current liabilities of \$1,440,276 and a working capital deficiency of \$513,282 as at November 30, 2022. The Company had cash and cash equivalents of \$5,011 and \$575,248 as at August 31, 2023 and November 30, 2022, respectively.
- Expenditures on research activities are recognized as an expense in the period incurred. An internally generated intangible asset arising from development is recognized in accordance with IAS 38 Intangible Assets.

Categorization of aggregate capitalized expenses are as follows:

	3-month ended August 31, 2023	9-month ended August 31, 2023	Inception to Nov 30, 2022
	\$	\$	\$
Engineering Costs	35,872	113,109	89,694
Hardware & Parts	20,304	34,451	657,757
Software – Flight Mission Control	-	61,047	505,081
Total expenses capitalized during the period	56,176	208,607	1,252,532
Capitalization as per Balance Sheet	1,461,139	1,461,139	1,252,532

- The Company moved from development stage to realisation phase during three months ended August 31, 2023. Level of operations has been determined by the availability of capital resources. To date, issuance of common shares in the capital of the Company ("Common Shares") convertible debentures and other long-term debt have been the source of funding.
- The Company incurred net losses for the nine months ended August 31, 2023 and 2022 of \$1,961,782 and \$963,474, respectively. The primary reason for the continued operating losses is the Company's ongoing pre-revenue investment in its drone technology and the administrative costs associated with that investment.

Net loss consisted of the following operating expenses:

	Three months ended		Nine months ended	
	August 31, 2023	August 31, 2022	August 31, 2023	August 31, 2022
	\$	\$	\$	\$
Share-based compensation (i)	-	-	-	24,725
Legal, professional and consulting fees (ii)	243,474	233,871	844,871	672,148
Other General & Administrative (iii)	89,397	76,873	341,175	106,298
Compensation (iv)	160,458	68,384	526,851	178,904
Management fees (v)	-	100,500	-	301,500
Support services	11,989	7,727	36,064	7,727
Foreign exchange loss	6,662	70,392	16,164	41,018
Interest expense (net of income)	85,289	131,942	239,782	343,679
Depreciation	12,650	-	29,614	-
Gain on convertible debentures	-	(482,492)	-	(712,525)
<b>Total expenses</b>	<b>609,919</b>	<b>207,197</b>	<b>2,034,521</b>	<b>963,474</b>

Notes:

- i. Value of options that were recognized during nine months ended August 2022.
- ii. Consist of legal, accounting, audit fees and consulting fees related with Company going public incurred during the period.
- iii. Other general and administrative services consist of marketing, website design, travel, rent and office expenses.
- iv. Compensations are related to salary of the Company's personnel.
- v. Management fees relate to payments made to a corporation controlled by the Chief Executive Officer. The services were provided until September 2022.



## Summary of Quarterly Results

Period Ended	Revenue	Net Income/(Loss)	Loss per Basic Share	Loss per Diluted Share
	\$	\$	\$	\$
Aug 31, 2023	240,000	(537,180)	(.030)	(.030)
May 31, 2023	-	(806,017)	(.040)	(.040)
Feb 28, 2023	-	(618,585)	(.040)	(.040)
Nov 30 2022	-	(2,061,119)	(.100)	(.100)
Aug 31 2022	-	(207,198)	(.020)	(.020)
May 31 2022	-	(371,838)	(.020)	(.020)
Feb 28 2022	-	(384,438)	(.020)	(.020)
Nov 30 2021	-	(973,860)	(.060)	(.060)
Aug 31 2021	-	(408,416)	(.020)	(.020)

Weighted average number of shares used for the calculation of loss per share were based on effect of share consolidation at the rate of 20 pre consolidation share to 1 post consolidation share, which the Company filed on June 6, 2023.

RDARS is a technology company in realization phase. The Company moved from development stage to realisation phase during three months ended August 31, 2023. Despite the start of product realisation, its level of operations has been determined by its level of capital resources. The continued quarterly losses have been a result of the Company's investment in its drone technology and the administrative costs associated with that investment.

## Liquidity and Capital Resources

Despite the start of product realization, the Company has no cash inflow from operations. Its only significant source of funds since incorporation has been from the sale of Common Share and the issuance of convertible debentures.

As at August 31, 2023, current assets of \$241,481 included cash and cash equivalents of \$5,011, account receivables of \$161,200, prepaid expenses and deposits of \$75,270. Current liabilities of \$3,569,451 included accounts payable and accrued liabilities of \$1,868,993, GST/HST payable of \$17,298, convertible debenture host liability classified as current of \$748,367, accrued interest on convertible debentures of \$20,526, current portion of lease liability of \$33,838, current portion of promissory notes payables of \$744,423 and loans payable of \$136,006.

As at November 30, 2022, current assets of \$926,994 included cash and cash equivalents of \$575,248, harmonized sales tax recoverable of \$166,518 and prepaid expenses and deposits of \$185,228. Current liabilities of \$1,440,276 included accounts payable and accrued liabilities of \$829,854, convertible

debentures host liability classified as current of \$585,629, accrued interest on convertible debentures of \$24,793.

On June 6, 2023 the Company filed the articles of amendment consolidating the Company's common shares at a ratio equal to 20 pre-consolidated shares to 1 new post-consolidated share.

For the period from December 1, 2022 to August 31, 2023, the Company experienced cash outflow of \$509,832 from operating activities, cash outflow of \$236,025 from investing activities and cash inflow of \$175,620 from financing activities.

For the period from December 1, 2021 to August 31, 2022, the Company experienced cash outflow of \$921,547 from operating activities, cash outflow of \$238,285 from investing activities and cash inflow of \$3,324,917 from financing activities.

While the information in this MD&A has been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future, there are conditions and events that cast significant doubt on the validity of this presumption. The Company's ability to continue as a going concern is dependent upon obtaining additional financing. While the Company is making its best efforts in this regard, the outcome of these matters cannot be predicted at this time.

### Off Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate having them in the foreseeable future.

### Related Party Transactions

The Company has entered into transactions with related parties during nine months ended August 31, 2023 and 2022.

The following table represents balances with related parties as of August 31, 2023 and 2022 included in these condensed interim financial statements:

	August 31, 2023	August 31, 2022
	\$	\$
<b>Balances, due to related parties</b>		
Accounts payable and accrued liabilities <sup>(a)</sup>	213,616	98,708
Promissory note and accrued interest <sup>(b)</sup>	461,496	-
Convertible debenture host liability <sup>(c)</sup>	147,153	-
Accrued interest on convertible debenture <sup>(c)</sup>	6,247	-
Loans payable <sup>(d)</sup>	136,006	-

The following table represents transactions with related parties for the nine months ended August 31, 2023 and 2022 included in these condensed interim financial statements:

	Three months ended August 31, 2023 \$	Three months ended August 31, 2022 \$	Nine months ended August 31, 2023 \$	Nine months ended August 31, 2022 \$
<b>Transactions for the period</b>				
Administrative expenses <sup>(e)</sup>	90,788	100,500	245,708	301,500

*(a) Accounts payable and accrued liabilities relate to the Chief Technology Officer (“CTO”) and the Chief Finance Officer (“CFO”).*

*(b) Promissory notes and accrued interest relate to agreements with the CEO and a corporation controlled by a director.*

*(c) Convertible debenture host liability and accrued interest on debentures relate to the debentures held by a corporation controlled by a director.*

*(d) Loan received from one of the Directors of the Company. Loan is a demand loan with no interest, agreed verbally that amount may be paid back upon next financing.*

*(e) Administration expenses relate to the CEO’s and CTO’s salary, consulting, travel and office expenses.*

The transactions above are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

### Disclosure of Issued and Outstanding Security Data

- On August 31, 2023 the Company had a total of 17,721,285 Common Shares outstanding.
- There were no shares issued during the nine months ended August 31, 2023. (4,472,441 – August 31, 2022).

### Stock Options

On June 6, 2023, the company consolidated its options at the rate of 20 pre consolidation options to 1 post consolidation option. As a result, the total outstanding number of options reduced from 29,000,000 to 1,450,000. The total number of options outstanding were 1,450,000 as of August 31, 2023.

No stock options were granted or exercise during the nine months ended August 31, 2023.

Number of options outstanding at August 31, 2023 were as follows:

<b>Outstanding</b>	<b>Exercisable</b>	<b>Expiration Date</b>	<b>Weighted Average Exercise Price</b>
1,075,000	1,075,000	April 1, 2025	1.00
375,000	375,000	September 1, 2027	1.00
<b>1,450,000</b>	<b>1,450,000</b>		<b>1.00</b>

Changes in options outstanding for the nine months ended August 31, 2023 and 2022 were as follows:

	<b>For the nine months ended August 31, 2023</b>		<b>For the nine months ended August 31, 2022</b>	
	<b>Outstanding</b>	<b>Weighted average exercise price</b>	<b>Outstanding</b>	<b>Weighted average exercise price</b>
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Balance at the beginning of the period	1,450,000	1.00	-	-
Options granted	-	-	1,075,000	1.00
<b>Balance at the end of the period</b>	<b>1,450,000</b>	<b>1.00</b>	<b>1,075,000</b>	<b>1.00</b>

All disclosed number of options are based on effect of option consolidation at the rate of 20 pre consolidation options to 1 post consolidation option.

## **Warrants**

On June 6, 2023, the company consolidated its warrants at the rate of 20 pre consolidation warrants to 1 post consolidation warrant. As a result, the total outstanding number of warrants reduced from 69,564,140 to 3,478,207. The total number of warrants outstanding were 3,478,207 as of August 31, 2023.

Changes in the warrants reserve for the nine months ended August 31, 2023 and 2022 were as follows:

	<b>For the nine months ended August 31, 2023</b>	<b>For the nine months ended August 31, 2022</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the period	926,422	975,098
<b>Balance at the end of the period</b>	<b>926,422</b>	<b>957,098</b>

Changes in warrants outstanding for the nine months ended August 31, 2023 and 2022 were as follows:

	Nine months ended August 31, 2023		Nine months ended August 31, 2022	
	Outstanding	Weighted average exercise price	Outstanding	Weighted average exercise price
	#	\$	#	\$
Balance, beginning of the period	3,478,207	2.00	1,593,360	2.00
Warrants granted	-	-	3,478,207	2.00
<b>Balance, end of the period</b>	<b>3,478,207</b>	<b>2.00</b>	<b>5,071,567</b>	<b>2.00</b>

The following table is a summary of the Company's warrants issuance and outstanding as of August 31, 2023 and 2022:

August 31, 2023			August 31, 2022		
Outstanding	Exercise price	Expiry date	Outstanding	Exercise price	Expiry date
#	\$		#	\$	
			1,593,360	0.40	November 27, 2022
350,000	2.00	November 22, 2023	350,000	2.00	November 22, 2023
374,807	2.00	June 30, 2024	374,807	2.00	June 30, 2024
2,753,400	2.00	July 29, 2024	2,753,400	2.00	July 29, 2024
<b>3,478,207</b>	<b>2.00</b>		<b>5,071,567</b>	<b>1.50</b>	

All disclosed number of warrants are based on effect of warrant consolidation at the rate of 20 pre consolidation warrants to 1 post consolidation warrant.

No warrants were granted, exercised or expired during the nine months ended August 31, 2023.

### Contributed Surplus

Debentures issued in November 2021 were repaid in full on December 2, 2022. Equity conversion feature of \$49,298 initially recognized towards these debentures was reclassified to contributed surplus from convertible debenture reserve.

On May 4, 2023 the Company repaid debenture previously issued on June 2022 and equity conversion feature of \$50,574 that was initially recognized towards original debentures was reclassified to contributed surplus from convertible debenture reserve.

Changes in the contributed surplus for the nine months ended August 31, 2023 and 2022 were as follows:

	For the nine months ended August 31, 2023	For the nine months ended August 31, 2022
	\$	\$
Balance at the beginning of the period	110,527	-
Repayment of debentures	99,872	-
<b>Balance at the end of the period</b>	<b>210,399</b>	<b>-</b>

## Capital Management

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company and in order to support the development of its planned business activities. 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 future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. 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 were no changes in the Company's approach to capital management during the period ended August 31, 2023. The Company is not subject to externally imposed capital requirements.

The Company considers its capital to be shareholders' equity (deficiency), which is comprised of capital stock, equity reserves, accumulated other comprehensive and deficit, supplemented by convertible debentures payable.

The Company's objective when managing capital is to obtain adequate levels of funding to support its business activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the development of its business. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

Management believes that the Company must raise additional capital resources to continue operating and maintain its business strategy. If the Company is unable to raise additional capital in the near future, due to the Company's liquidity problems, management expects that the Company may need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures. This MD&A does not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

## Financial Instruments

The Company has classified its financial instruments as follows:

	August 31, 2023	November 30, 2022
	\$	\$
<b>Financial assets, measured at amortized cost</b>		
Cash and cash equivalents	5,011	575,248
<b>Financial liabilities, measured at amortized cost</b>		
Accounts payable and accrued liabilities	1,868,993	829,854
Convertible debenture host liability	748,367	585,629
Accrued interest on convertible debentures	20,526	24,793
Loans payable	136,006	-
Lease liability	46,420	-
Promissory notes payable	744,423	595,535

The carrying amount of the Company's financial instruments approximates their fair value.

### ***Risk Exposure and Management***

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The principal financial risks to which the Company is exposed are credit risk, interest rate risks, liquidity and funding risk and foreign currency risk.

#### **(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 obligations. The company's maximum exposure to credit risk at August 31, 2023 under its financial instruments is \$5,011.

All of the Company's cash and cash equivalents are held with a major financial institution in Canada and management believes the exposure to credit risk with respect to such institutions is not significant.

#### **(b) Liquidity risk**

Liquidity risk arises through the excess of financial obligations over available financial assets due to at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements.

As at August 31, 2023, the Company had cash of \$ 5,011 .

The following obligations existed as at August 31, 2023 and November 30, 2022:

<b>August 31, 2023</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>1-5 years</b>
	\$	\$	\$
Accounts payable and accrued liabilities	1,868,993	1,868,993	-
GST/HST payable	17,298	17,298	-
Lease liability	46,420	33,838	12,582
Promissory notes payable	744,423	744,423	-
Loans Payable	136,006	136,006	-
Convertible debenture host liability and accrued interest on convertible debentures	768,893	768,893	-
	<b>3,582,033</b>	<b>3,569,451</b>	<b>12,582</b>

<b>November 30, 2022</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>1-5 years</b>
	\$	\$	\$
Accounts payable and accrued liabilities	829,854	829,854	-
Promissory notes payable	595,535	-	595,535
Convertible debenture host liability and accrued interest on convertible debentures	610,422	610,422	-
	<b>2,035,811</b>	<b>1,440,276</b>	<b>595,535</b>

*(a) 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 has cash balances and interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banking institutions. The Company periodically monitors the investments it makes and is satisfied with credit ratings of its banks. Management believes the exposure to interest rate risk is not significant.

*(b) Foreign currency risk*

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of the changes in foreign exchange rates. The Company holds a bank account in US dollars. The fluctuation in foreign currencies in relation to the Canadian dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets.

With all other variables remaining constant, had the United States dollar strengthened or weakened by 1% in relation to all currencies as of August 31, 2023, there would be \$Nil impact on the net loss and comprehensive loss (November 30, 2022-\$385)



## **Subsequent events**

### *Maturity of promissory note without repayment*

The promissory notes due on October 1, 2023 had not been repaid, nor demanded from the Company. The Company is in negotiations to extend the maturity date of the promissory notes.

### *Maturity of convertible debentures without repayment or conversion*

The convertible debentures due on October 1, 2023 had not been repaid, nor demanded or converted to common shares. The Company is in negotiations to extend the maturity date of the debentures.

### *Issuance of secured convertible debentures*

On September 12, 2023, the Company closed a non-brokered private placement of \$933,748 of secured convertible debentures for aggregate proceeds of \$675,000. The debentures bear interest at the rate of 8.5% per annum, payable monthly. The principal amount plus any accrued and unpaid interest is convertible into common shares at \$0.15 per share at the option of the holder at any time. The debentures mature on September 12, 2024.

### *Amendment to warrant agreement*

In September 2023, the terms of 12,500,000 non-transferable outstanding warrants on the Company's common shares that are exercisable at a price of \$0.10 per share until July 29, 2024 were amended to limit their exercise such that the holder cannot beneficially own in excess of 9.99% of the issued and outstanding common shares of the Company as a result of such exercise.