# NEUTRISCI INTERNATIONAL INC.
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE THREE AND SIX MONTH ENDED JUNE 30, 2023

**August 18, 2023**

## MANAGEMENT'S RESPONSIBILTY FOR FINANCIAL REPORTING

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of NeutriSci International Inc. ("NeutriSci" or the "Company") for the six months ended June 30, 2023 and is prepared as at August 18, 2023. This MD&A should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2022 and 2021 and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"), together with the condensed consolidated interim financial statements for the six months ended June 30, 2023 and the notes thereto which were prepared using accounting policies consistent with IFRS. Other information contained in these documents has also been prepared by management and is consistent with the data contained in the Financial Statements. All dollar amounts referred to in this MD&A are expressed in CDN dollars except where indicated otherwise.

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statements of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these financial statements together with the other financial information included in these filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in this MD&A. The Board of Directors' approves the Financial Statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward-looking statements include but are not limited to statements concerning:

- The Company's outstanding indebtedness, and the Company's intentions with respect to the repayment or refinancing of that indebtedness
- The Company's success at completing future financings
- The Company's sales and marketing strategies and objectives
- The Company's cost reductions and other financial operating objectives
- The availability of qualified employees for business operations
- General business and economic conditions
- The Company's ability to meet its financial obligations as they become due
- The positive cash flows and financial viability of its new product lines
- The Company's ability to manage growth with respect to its business
- The Company's tax position, anticipated tax refunds and the tax rates applicable to the Company

Readers are cautioned that the preceding list of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by these forward looking statements. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, investors in securities of the Company should not place undue reliance on these forward-looking statements. The forward-looking statements contained in this document are made as of the date hereof.

## OVERVIEW

NeutriSci International Inc. (the "Company" or "NeutriSci") was incorporated under the laws of the Province of Alberta on September 9, 2009 and was continued into British Columbia under the BCBCA on November 26, 2014. The Company's shares are listed on Tier 2 of the TSX Venture Exchange (the "Exchange") under the symbol "NU". The Company's head office is at 1600 – 609 Granville Street, Vancouver, BC V7Y 1C3 and the Company's registered office is 2200 – 885 West Georgia Street, Vancouver, BC, Canada, V6C 3E8.

NeutriSci is focused on the market development for its nutraceutical products.

NeutriSci's products utilize a unique and patented form of Pterostilbene called pTeroPure®. pTeroPure® Pterostilbene is a form of all-trans Pterostilbene that is found naturally in blueberries and is manufactured for NeutriSci by ChromaDex Corp. ("ChromaDex") in the US. NeutriSci's neuenergy® product is an innovative energy tab designed to deliver enhanced focus and mental clarity with no sugar, no calories and no crash that is associated with typical energy products. The efficacy of neuenergy® is based on a molecular combination of pTeroPure® Pterostilbene and a low dose of caffeine, called PurEnergy® (also manufactured by ChromaDex). The resulting co-crystal provides a novel, next-generation alternative to high-dose caffeine products and is the base ingredient of neuenergy®. In clinical studies, the co-crystal ingredient demonstrated a significantly more efficient cellular uptake when compared with standard caffeine alone. neuenergy® offers consumers a great-tasting, safe and very effective alternative to today's high-caffeine energy products.

NeutriSci has also developed proprietary IP and technology ("NeutriSci IP") that creates a fast and efficient method of bilingual absorption of nutraceuticals into the bloodstream. NeutriSci's IP can be applied to many different categories in the beverage, food, and nutraceutical space.

The Company has a history of losses and anticipates further losses in the development of its business. As at June 30, 2023, the Company has an accumulated deficit of $36,708,329 (December 31, 2022 - $36,470,856). Continuing business as a going concern is dependent upon the success of the neuenergy® products in the retail storefront and online markets, the successful commercialization of NeutriSci's IP, the existing cash flows, and the ability of the Company to obtain additional debt or equity financing all of which are uncertain. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

## DEVELOPMENTS

The Company continues to focus on developing and growing the market for neuenergy® as well as for its cannabidiol tablet.

## OUTLOOK

The Company continues to work on its expansion of the neuenergy® distribution network in Canada, while focusing on its international markets through its existing partner relationships. The Company is focused on driving sales and growing product awareness by expanding marketing and branding initiatives.

## SUMMARY OF QUARTERLY RESULTS[1]

| | 2nd Quarter Ended June 30, 2023 | 1st Quarter Ended Mar 31, 2023 | 4th Quarter Ended Dec 31, 2022 | 3rd Quarter Ended September 30, 2022 |
|---|---|---|---|---|
| | | | | |
| Total revenue | $ 2,989 | $ 3,093 | $ 51,173 | $ 5,152 |
| Net loss and comprehensive loss | $ (138,095) | $ (99,378) | $ (217,731) | $ (104,780) |
| Basic and diluted loss per share | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.00) |

| | 1st Quarter Ended Mar 31, 2022 | 4th Quarter Ended Dec 31, 2021 | 3rd Quarter Ended Sept 30, 2021 | 3rd Quarter Ended Sept 30, 2021 |
|---|---|---|---|---|
| | | | | |
| Total revenue | $ 173,331 | $ 25,874 | $ - | $ - |
| Net loss and comprehensive loss | $ (219,164) | $ (363,558) | $ (330,061) | $ (330,061) |
| Basic and diluted loss per share | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.00) |

*1 Financial information prepared using accounting policies consistent with IFRS as issued by the International Accounting Standard Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting*

During 2023 and 2022, the Company continues to focus its efforts on developing and growing the market for its retail product, neuenergy®, along with expanding its new relationships for its cannabidiol tablet.

## RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2023

The following is an analysis of the Company's operating results for the three months ended June 30, 2023, and includes a comparison against the three months ended June 30, 2022.

**Sales revenue**, for the three months ended June 30, 2023, were $2,989, as compared to $ 228,094 for the three months ended June 30, 2022. This decrease related primarily to a large shipment of the Company's Tabletz product to Japan and a shipment of neuenergy® to a wholesaler in Germany during Q1 2022.

**Cost of sales** for the three months ended June 30, 2023 was $673, as compared to $ 234,372 for the three months ended June 30, 2022. The reduction is due to the decrease in sales.

**Operating expenses** for the three months ended June 30, 2023 were $45,201, as compared to $ 146,779 for the three months ended June 30, 2022. The decrease was in large part due to a reduction in consultants and staffing during the current period.

**General and administrative costs** for the three months ended June 30, 2023 were $95,897 as compared to $62,876 for the three months ended June 30, 2022. The increase is due to an increase in professional fees during the current period.

**Comprehensive loss for the period**
As a result of the activities discussed above, the Company experienced a comprehensive loss for the three months ended June 30, 2023, of $138,095 as compared to comprehensive loss of $229,019 for the three months ended June 30, 2022.

## RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2023

The following is an analysis of the Company's operating results for the six months ended June 30, 2023, and includes a comparison against the six months ended June 30, 2022.

**Sales revenue**, for the six months ended June 30, 2023, were $6,082, as compared to $401,425 for the six months ended June 30, 2022. This decrease related primarily to large shipments of the Company's Tabletz product to Japan and a shipment of neuenergy® to a wholesaler in Germany during Q1 and Q2 2022.

**Cost of sales** for the six months ended June 30, 2023 was $1,749, as compared to $ 410,357 for the six months ended June 30, 2022. The reduction is due to the decrease in sales.

**Operating expenses** for the six months ended June 30, 2023 were $96,409, as compared to $304,760 for the six months ended June 30, 2022. The decrease was in large part due to a reduction in consultants and staffing during the current period.

**General and administrative costs** for the six months ended June 30, 2023 were $158,952 as compared to $118,793 for the six months ended June 30, 2022. The increase is due to an increase in professional fees during the current period.

**Comprehensive loss for the period**
As a result of the activities discussed above, the Company experienced a comprehensive loss for the six months ended June 30, 2023, of $237,473 as compared to comprehensive loss of $448,183 for the six months ended June 30, 2022.

## RISKS AND UNCERTAINTIES

**Ongoing Need for Financing/Possible Dilution to Present and Prospective Shareholders**

It is intended that the Company will continue to make investments to support business growth and may require additional funds to respond to business challenges, including the need to develop new services or enhance existing services, enhance operating infrastructure, and acquire complementary businesses and technologies. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences, and privileges superior to those of holders of Company's shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, additional financing may not be available on vourable terms, if at all. If the Company is unable to obtain adequate financing or financing on terms satisfactory to them, when they require it, their ability to continue to support business growth and to respond to business challenges could be significantly limited.

**Issuance of Debt**

From time to time, the Company may enter into transactions to acquire the assets or shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. The level of the Company's indebtedness from time to time could impair its ability to obtain additional financing in the future, on a timely basis, to take advantage of business opportunities that may arise.

**Lack of Trading**

The lack of trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

**Volatility of Share Price**

Market prices for shares of companies on the TSX Venture Exchange are often volatile. Factors such as announcements of financial results, and other factors could have a significant effect on the price of the Company's shares.

**Lack of Dividend Policy**

The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from the Company will remain subject to the discretion of the Company's Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

**Limited operating history**

The Company's business and prospects must be considered in light of the risk, expenses and difficulties frequently encountered by companies in the early stage of product development. Such risks include the unpredictable nature of the Company's business, its ability to anticipate and adapt to a dynamic market and the ability to identify, attract and retain qualified personnel. There can be no assurance that the Company will be successful in addressing these risks.

**History of losses**

The Company has a history of net losses, may incur net losses in the future and may not achieve or maintain profitability. The Company may not be able to achieve or maintain profitability and may continue to incur losses in the future. In addition, it is expected that the Company will continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable. If the Company is unable to attract new customers or to sell additional products to its existing customers, the Company's revenue growth will be adversely affected.

**Customers**

To increase the Company's revenues, it must regularly add new customers, sell additional products and / or services to existing customers and encourage existing customers to increase their minimum commitment levels. If the Company's existing and prospective customers do not perceive the Company's products to be of sufficiently high value and quality, the Company may not be able to attract new customers or increase sales to existing customers and its operating results will be adversely affected.

**Business Related Regulatory Matters**

The operations carried on by the Company are subject to government legislation, policies and controls. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the industry are beyond the control of the Company and could have a material adverse impact on the Company and its business.

**Competition**

The Company will compete in a rapidly evolving and highly competitive market. Some of the Company's potential competitors have longer operating histories, greater name recognition, access to larger customer bases and substantially greater resources, including sales and marketing, financial and other resources. As a result, these competitors may be able to:

- absorb costs associated with providing their products at a lower price;
- devote more resources to new customer acquisitions;
- respond to evolving market needs more quickly than the Company; and
- finance more research and development activities to develop better products.

In addition, many of these companies may have pre-existing relationships with the Company's current and potential customers. If the Company is not able to compete successfully against its current and future competitors, it will be difficult to acquire and retain customers, and the Company may experience limited revenue growth, reduced revenues and operating margins and loss of market share.

**The Company plans to have rapid growth in future periods**

If the Company fails to manage its growth effectively, it may be unable to execute its business plan, maintain high levels of service or address competitive challenges adequately. The Company plans to substantially expand its overall business, customer base, employees and operations in future periods. In addition, the Company has and will make substantial investments in its overall operations as a result of its plans for growth. The Company will need to continue to expand its business. It is anticipated that this expansion will require substantial management effort and significant additional investment. In addition, the Company will be required to continue to improve its operational, financial and management controls and its reporting procedures. As such, the Company may be unable to manage its expenses effectively in the future, which may negatively impact gross margins or cause operating expenses to increase in any particular quarter. If the Company is unable to manage its growth successfully, its business will be harmed. Failure to effectively expand the Company's sales and marketing capabilities could harm its ability to increase its customer base and achieve broader market acceptance of products. Increasing the Company's customer base and achieving broader market acceptance of its products will depend to a significant extent on its ability to expand its sales and marketing operations. It is expected that the Company will be substantially dependent on its direct sales force to obtain new customers. There is significant competition for direct sales personnel with the sales skills that the Company requires. The Company's ability to achieve significant growth in revenues in the future will depend, in large part, on its success in recruiting, training and retaining sufficient numbers of direct sales personnel. New hires require significant training and, in most cases, take a significant period of time before they achieve full productivity. The Company's hires may not become as productive as it would like, and the Company may be unable to hire or retain sufficient numbers of qualified individuals in the future in the markets where it does business. The Company's business will be seriously harmed if these expansion efforts do not generate a corresponding significant increase in revenues.

**Limited Scientific Research and Clinical Studies Completed Relating to the Efficacy of the Company's Products**
The field of nutraceuticals is relatively new and only limited clinical studies and peer reviews exist for the Company's products and therefore any claims relating to the potential efficacy of the Company's products may be uncertain.

**Reliance on Intellectual Property**
The Company will require continuous improvements in order to remain competitive. There can be no assurance that the Company will be successful in its efforts in this regard. While the Company anticipates that the research and development experience to date will allow it to explore additional business opportunities, there is no guarantee that such business opportunities will be presented or realized. The commercial advantage of the Company may depend to an extent on its intellectual property, its ability to prevent others from copying its products, and its continuing access to development support. In the future, the Company may seek patents or other similar protections in respect of a particular products or process; however, there can be no assurance that any future patent applications will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Company. Moreover, the process of seeking patent protection can itself be long and expensive. In the meantime, competitors may develop products that are similar or superior to the products of the Company or design around the patents owned by the Company, thereby adversely affecting the Company's competitive advantage in one or more of its businesses. Despite the efforts of the Company, its intellectual property rights may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps it may take to protect its intellectual property rights and other rights to such proprietary technologies that are central to the Company's operations will prevent misappropriation or infringement of such technologies.

**Infringement of Intellectual Property**
From time to time the Company may receive notices from third parties alleging that it has infringed their intellectual property rights. Responding to any such claim, regardless of its merit, may be time consuming, result in costly litigation, divert management's attention and resources and cause the Company to incur significant expenses. Any meritorious claim of intellectual property infringement against the Company may potentially result in a temporary or permanent injunction, prohibiting it from marketing or selling certain products or requiring it to pay royalties to a third party. In the event of a meritorious claim, failure of the Company to develop or license substitute technology, its business and results of operations may be materially adversely affected.

**Potential Conflicts of Interest**
Certain directors or officers of the Company are also directors, officers, shareholders and/or Promoters of other reporting and non-reporting issuers. Such associations may give rise to conflicts of interest from time to time. The directors and officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity

of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter. Conflicts of interest, if any, will be subject to, and will be resolved in accordance with, the procedures and remedies under the BCBCA.

**Reliance on Others and Key Personnel**

The success of the Company will be largely dependent upon the performance of its management and key employees, as well as the talents of its outside consultants and suppliers. The Company may not have any "key man" insurance policies, and therefore there is a risk that the death or departure of any one or more members of management or any key employee could have a material adverse effect on the Company. The Company also faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain the employees, personnel and/or consultants necessary to successfully carry out its activities.

**Litigation**

All industries are subject to legal claims, with and without merit. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's operations and financial position.

**Changes in Laws**

Changes to any of the laws, rules, regulations or policies to which the Company is subject could have a significant impact on the Company's business. There can be no assurance that the Company will be able to comply with any future laws, rules, regulations and policies. Failure by the Company to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact the Company's profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

**Regulatory Approval of Products**

In order for any new ingredient contained in a product to be marketed by the Company, to be used in conventional food or beverage products in the US, the product would either have to be approved by the FDA as a food additive pursuant to a Food Additive Petition ("FAP"), or be Generally Recognized As Safe ("GRAS"). The FDA does not have to approve a company's determination that an ingredient is GRAS. However, a company can notify the FDA of its determination. There can be no assurance that the FDA will approve any FAP for any ingredient that Company may want to commercialize or agree with the Company's determination that an ingredient is GRAS, either of which could prevent the marketing of such ingredient.

## LIQUIDITY AND CAPITAL RESOURCES

The Company defines capital as consisting of shareholder's equity. The Company's objectives when managing capital are to support the identification and acquisition of a new business opportunity, and thus the creation of shareholder value, as well as to ensure that the Company is able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at June 30, 2023, the Company is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the period ended June 30, 2023.

The Company's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational and investing requirements at any point in time. The Company has historically financed its operations primarily through related party debt and the sale of share capital by way of private placements.

The Company has a history of losses. The future success of the Company is dependent on the success of its nutraceutical products in the market together with the ability to finance the necessary funding, at agreeable terms, to support the growth of the business. As at June 30, 2023, the Company had an accumulated deficit of $36,708,329 (December 31, 2022 - $36,470,856) and working capital deficiency of $823,489 (December 31, 2022 - $689,309).

The Company had an opening cash position of $175,276. During the period ended June 30, 2023, operating activities required cash of $198,172 (2022 – $ 51,332).

The Company did not have any investing activities during the periods ended June 30, 2023 and 2022.

The Company's financing activities generated $25,125 (2022 - $67,383) comprised of loans received of $52,584 (2022 - $67,383) less repayments on loans payable of $27,459 (2022 - $nil).

As a result of these activities, the Company experienced a net decrease in cash for the period ended June 30, 2023, of $173,047, leaving the Company with a June 30, 2023 cash balance of $2,229.

The Company expects to incur further losses in the development of its business over the next twelve months and will require additional cash to support these operations. As such the Company is subject to liquidity risk.

Consequently, the Company will require additional financing to accomplish its long-term strategic objectives. Future funding may be obtained by means of issuing share capital, the exercise of the Company's stock options (as at the date of this MD&A – 9,425,000 options with an average exercise price of $0.16), the exercise of warrants (as at the date of this MD&A – 10,838,720 warrants with an average exercise price of $0.05), and/or debt financing. There can be no certainty of the Company's ability to raise additional financing through these means. If the Company is unable to finance itself through these means, it is possible that the Company will be unable to continue as a going concern. These factors raise significant doubt as to the ability of the Company to continue as a going concern.

The Company's condensed consolidated interim financial statements have been prepared in accordance with IFRS under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than a process of forced liquidation. These condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

## SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVES

**(a) Authorized** Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

**(b) Common Share Issuances**

As at the date of this MD&A, the Company has a total of 178,424,267 (June 30, 2023 – 178,424,267) common shares outstanding.

**For and subsequent to the period ended June 30, 2023:**

**(c) Stock Options**

The Company has a stock option plan under which it is authorized to grant stock options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Subject to a minimum exercise price of $0.10 per share, the exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. The stock options can be granted for a maximum term of 10 years, and vest as determined by the Board of Directors. A summary of the Company's stock option activity is as follows:

| | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| **Balance, December 31, 2021** | **12,225,000** | **$ 0.16** |
| Cancelled / Expired | (2,800,000) | 0.15 |
| **Balance, December 2022, June 30, 2023, and the date of this MD&A** | **9,425,000** | **$ 0.16** |

A summary of the Company's stock options at the date of this MD&A are as follows:

| Grant Date | Number of Options outstanding | Number of Options exercisable | Weighted Average Exercise Price | Expiry date |
|---|---|---|---|---|
| October 17, 2018 | 3,225,000 | 3,225,000 | 0.175 | October 17, 2023 |
| July 30, 2020 | 4,800,000 | 4,800,000 | 0.160 | July 30, 2025 |
| January 18, 2021 | 1,400,000 | 1,400,000 | 0.150 | January 18, 2026 |
| **Total** | **9,425,000** | **9,425,000** | **0.16** | |

### (d) Warrants

The following summarizes the warrant activity:

| | Number of warrants | | Weighted average exercise price |
|---|---|---|---|
| **Balance at December 31, 2021** | **3,033,000** | **$** | **0.23** |
| Granted | 9,838,720 | | 0.05 |
| Expired | (1,589,167) | | 0.18 |
| **Balance at December 31, 2022** | **11,282,553** | **$** | **0.08** |
| Granted | 1,000,000 | | **0.05** |
| Expired | (1,443,833) | | 0.28 |
| **Balance at June 30, 2023 and the date of this MD&A** | **10,838,720** | **$** | **0.05** |

A summary of warrants outstanding at the date of this MD&A are as follows:

| Number of Warrants outstanding | Weighted Average Exercise Price | Expiry date |
|---|---|---|
| 9,838,720 | $ 0.05 | December 30, 2024 |
| 1,000,000 | $ 0.05 | January 11, 2025 |
| **10,838,720** | | |

### (e) Finders' warrants

There were no finders' warrants outstanding as at December 31, 2022, June 30, 2023 and the date of this MD&A.

## RELATED PARTY TRANSACTIONS

The Company had transactions with the following related parties:

| Related party | Relationship |
|---|---|
| Emprise Capital Corp. | Directors and Officers in common with the Company |
| Cassels Brock & Blackwell LLP | Director of the Company is a partner of the law firm |

The Company incurred the following expenses with companies controlled by directors and officers of the Company.

| Name of the related party | Nature of the Services | | June 30, 2023 | | June 30, 2022 |
|---|---|---|---|---|---|
| Cassels Brock & Blackwell LLP | Legal | $ | 6,014 | $ | 1,864 |
| Emprise Capital Corp. | Management | | 90,000 | | 90,000 |
| | | $ | 96,014 | $ | 91,864 |

The following table comprises amounts due to related parties included within accounts payable and accrued liabilities:

| | | June 30, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Cassels Brock & Blackwell LLP | $ | 21,285 | $ | 18,301 |
| Emprise Capital Corp. | | 226,800 | | 132,300 |
| Glen Rehman | | 1,921 | | 106,378 |
| Due to Directors | | 28,984 | | 28,984 |
| Total | $ | 278,990 | $ | 285,963 |

During the period ended June 30, 2023, the Company received loans from Emprise Capital Corp. in the amount of $2,584 (December 31, 2022 - $118,635). The loans are non-interest bearing and repayable on demand. During the period ended June 30, 2023, the Company made repayments of $27,459 on the loans. As at June 30, 2023, $93,760 (December 31, 2022 - $118,635) remained payable on the loans (Note 8).

During the period ended June 30, 2023, the Company settled $29,224 in accounts payable to an Officer and Director of the Company by issuing 1,461,280 common shares with a value of $21,919. The Company recognized a gain of $7,305 on the settlement.

**Key management personnel compensation:**

Key management personnel include those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consists of the Company's executive and non-executive directors, and officers.

| | | June 30, 2023 | | June 30, 2022 |
|---|---|---|---|---|
| Salaries and benefits | $ | - | $ | 78,000 |
| Consulting fees | | 75,000 | | - |
| Share-based payments | | - | | 2,891 |
| | $ | 75,000 | $ | 80,891 |

## FINANCIAL INSTRUMENTS

(a) Fair Value

As at June 30, 2023, the Company's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities and are all classified as amortized cost. The fair values of these financial instruments approximate their carrying values because of their short-term nature and/or the existence of market related interest rates on the instruments.

(b) Financial Risk Factors

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

I. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at June 30, 2023, certain of the Company's accounts payable and accrued liabilities are denominated in US$. The balance is subject to foreign exchange fluctuation. A 1% change in the foreign exchange rate would not have a material impact on profit or loss.

II. Interest rate risk

Interest risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in interest rates. The Company's sensitivity to interest rates is currently immaterial.

III. Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

IV. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

As at June 30, 2023, the Company had a cash balance of $2,229 (December 31, 2022 - $175,276) to settle current liabilities of $844,774 (December 31, 2022 - $888,400). The Company is currently subject to significant liquidity risks and remains dependant on the financial support of its debtors and shareholders. Refer to Note 1 for additional details.

V. Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company places its cash with institutions of high-credit worthiness. Management has assessed there to be a low level of credit risk associated with its cash balances and tax credits receivable. As at June 30, 2023, accounts receivable of $817 (December 31, 2022 - $730) are from customers of the Company's neuenergy® products. The customers represent a well-diversified group of individuals and pay at the time of ordering by credit card or through Paypal. There is low risk of these customers' failure to pay.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables are assessed primarily based on days past due.

The loss allowance provision as at June 30, 2023 is determined as follows:

| | | 0 to 90 days past due | | 91 and more days past due | | Total |
|---|---|---|---|---|---|---|
| Expected loss rate | | 2% | | 50% | | |
| Gross carrying amount | $ | - | $ | 1,633 | $ | 1,633 |
| Loss allowance provision | $ | - | $ | 816 | $ | 816 |

For the period ended June 30, 2023, no significant changes were noted for the expected loss rates. The loss allowance provision for trade receivables as at June 30, 2023 reconciles to the opening loss allowance provision as follows:

| **Loss allowance provision** | | **June 30, 2023** |
|---|---|---|
| **December 31, 2021, and 2022** | **$** | **730** |
| Applied during the period | | 86 |
| **June 30, 2023** | **$** | **816** |

## RECENT ACCOUNTING PRONOUNCEMENTS

There were no new accounting standards adopted during the period ended June 30, 2023.

## SUBSEQUENT EVENTS

There were no subsequent events for the period ended June 30, 2023.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year which include:

- Income taxes - Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and future periods. Deferred tax assets, if any, are recognized to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.

- Fair value of stock options and warrants - Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity.

- Inventories - Inventories are valued at the lower of cost and net realizable value. Cost of inventory includes cost of purchase (purchase price, import duties, transport, handling, and other costs directly attributable to the acquisition of inventories), and other costs incurred in bringing the inventories to their present location and condition. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made in profit or loss in the period for any difference between book value and net realizable value.

- Estimated product returns - Revenue from product sales is recognized net of estimated sales discounts, credits, returns, rebates and allowances. The return allowance is determined based on an analysis of the historical rate of returns, industry return data, and current market conditions, which is applied directly against sales.

## PROPOSED TRANSACTIONS

The Company currently has no proposed material transactions.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements.

## ADDITIONAL INFORMATION

Additional information relating to the Company is available at www.sedarplus.com.