HILL STREET BEVERAGE COMPANY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-and six-month period ended December 31, 2022

Hill Street Beverage Company Inc., (the "**Company**", "**We**", or "**Hill Street**") is a progressive bioscience implementation company that utilizes new technologies to provide innovative cannabis solutions and non-alcoholic beverage products globally. We are dedicated to building pathways to better and healthier living by leveraging our deep CPG expertise to commercialize leading-edge technologies and craft superior plant-derived consumer products We are developing and expanding the platform for North American distribution around our rights to use Lexaria Bioscience Corp.'s ground-breaking DehydraTECH™ patent portfolio for product development, licensing and B2B sales of cannabis ingredients.

This Management Discussion and Analysis ("**MD&A**") of the financial condition and results of operations of the Company, and its subsidiaries, is for the three- and six-month period ended December 31, 2022.

The MD&A is dated February 28, 2023, unless otherwise indicated, and should be read in conjunction with the consolidated condensed interim financial statements of the Company for the three and six month period ended December 31, 2022 and the related notes. The Company's significant accounting policies are set out in Note 2 of the audited consolidated financial statements for the year ended June 30, 2022.

This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. Results are reported in CAD dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented as at December 31, 2022, are not necessarily indicative of the results that may be expected for any future period. The financial statements are prepared in compliance with International Financial Reporting Standards.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the Company website at www.hillstreetbeverages.com, or from www.sedar.com.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained herein, the discussion in this MD&A contains certain forward-looking statements that involve risks and uncertainties, such as statements of Hill Street's plans, objectives, strategies, expectations and intentions. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "seek", "plan", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. Although Hill Street believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, undue reliance should not be placed on these forward-looking statements. These forward-looking statements are not guarantees and reflect Hill Street's views as of February 28, 2023 with respect to future events. Future events are subject to certain risks, uncertainties, and assumptions, which may cause actual performance and financial results to differ materially from such forward-looking statements. Any forward-looking statements, including statements regarding expected volumes, operating efficiencies, or costs are based on, among other things, the following material factors and assumptions: sales volumes will increase over time; no material changes in basic consumer preferences; brewing, blending, and packaging efficiencies will improve over time; the cost of input materials for brewing and blending will increase over time; competitive activity from other manufacturers will continue; foreign currency exchange rates will change; there will likely be material changes to the regulatory environment in which Hill Street operates, particularly regarding cannabis-related products, and there will be no material supply, cost or quality control issues with vendors. Readers are urged to consider the foregoing factors and assumptions when reading the forward-looking statements and for more information regarding the risks, uncertainties and assumptions that could cause Hill Street's actual financial results to differ from the forward-looking statements, to also refer to the remainder of the discussion in this MD&A, Hill Street's various other public filings as and when released by Hill Street. The forward-looking statements included in this MD&A are made only as of February 28, 2023 and, except as required by applicable securities laws, Hill Street does not undertake to publicly update such forward-looking statements to reflect new information, future events or otherwise.

Q2 HIGHLIGHTS

New Launches Hit the Market for DehydraTECH™ Licensees

During the six-month period ended December 31, 2022, 1906 Drops expanded to Michigan, Pennsylvania, Ohio and Missouri, bringing the footprint of the DehydraTECH-powered, #1 fast-acting cannabis edible in the United States to nine states. In addition, several of the newer DehydraTECH™ licensees that Hill Street have been working with to develop their commercial manufacturing operations executed their initial product launches in market, including:

- Lume Cannabis Co. launched their first DehydraTECH™-powered "Now" line of fast-acting THC gummies under their Lume brand in Michigan dispensaries.
- Neo Alternatives launched their "Root 66" brand of products including dissolvable Micro Mints, and soluble multi-use Honey Powder utilizing DehydraTECH™, in Massachusetts dispensaries. The multi-serve Honey Powder format allows consumers to enjoy the fast-acting benefits of DehydraTECH™ however they want – as an additive to foods or drinks or on its own as a tasty edible option.

- Folium Farms launched their "Aleafiate" brand of fast-acting gummies and Honey Powder utilizing DehydraTECH™ in Oregon

We expect the financial impact of these new launches to build over the coming quarters.

We Continued to Execute on the Transformed Vin(Zero) Business Model

As we have described in our recent communications, we have transformed our Vin(Zero) business model, with major adjustments across all the key areas of production planning, shipping and logistics, warehousing, sales and retail distribution. These changes have led to several key positive financial impacts:

- shortened our order-to-cash cycle;
- reduced the level of working capital that we will be holding in finished goods inventory;
- Reduced the need for more expensive temperature-controlled containers for our products as our forecasting, operations planning, and inventory logistics models create a more efficient shipping cycle.

As we also previously communicated, this new streamlined commercial model creates a new and different cadence to the business, where dramatic quarter-to-quarter swings on the recognized revenues are planned, and the business must be looked at across longer time frames. We will be placing larger procurement orders less frequently, but more rapidly converting those orders to revenues on the P&L and cash on the balance sheet. See Results of Operations for a quarterly breakdown.

OTHER KEY DEVELOPMENTS

On October 12, 2022, the Company appointed Matthew Jewell as its Chief Financial Officer

On November 18, 2022, the Company, with the approval of the TSX Venture Exchange, amended the expiry date of 11,250,900 warrants (the "**Amended Warrants**") from November 18, 2022 to March 17, 2023. In addition, the exercise price of the Amended Warrants was re-priced to $0.05.

On January 10, 2023, the Company successfully sold its bottling and canning line of equipment for net proceeds of $143,601 (US$107,165). The Company recorded a gain on sale of assets held for sale of $40,512.

On February 21, 2023, the Company was listed for trading on the OTCQB (located in the United States) under the symbol "HSEEF".

DESCRIPTION OF THE BUSINESS

Hill Street is a progressive bioscience implementation company that leverages our deep CPG expertise to commercialize leading-edge technologies and craft superior cannabis solutions and non-alcoholic beverage products globally. The Company has fundamentally transformed its legacy business model to embrace a more profitable and more scalable global growth agenda. We are pioneering the space where craft consumer products meet bioscience by combining our deep CPG expertise and brands with our rights to use **Lexaria Bioscience Corp's** ground-breaking **DehydraTECH™** patent portfolio for product development, licensing and B2B and B2C sales of cannabis ingredients or products on a global scale.

The Company currently operates two lines of business:

1. Hill Street Alcohol-Free Beverages

This line represents the Company's legacy consumer beverage marketing and distribution business. It includes Vin(Zero) alcohol-free wine in Canada, and on a smaller scale, in the United States and Australia. The products are sold in retail chain stores through Canadian distributors, exported outside of Canada through foreign distributors and offered direct to consumers online at www.hillstreetbeverages.com.

2. Hill Avenue Cannabis

DehydraTECH™ is a revolutionary, patented biodelivery technology that is scientifically proven to consistently and rapidly deliver precise doses of bioactive substances like cannabinoids into the bloodstream, for unparalleled bioavailability and onset time.

DehydraTECH™ technology was first developed in 2014 by Lexaria Bioscience Corp., a global innovator in drug delivery platforms. Today, the DehydraTECH™ intellectual property portfolio consists of 28 granted patents and approximately 50 patents pending worldwide. Hill Avenue Cannabis acquired the exclusive global rights to use and commercialize the DehydraTECH™ technology to power THC-infused cannabis products in late 2020.

Hill Avenue Cannabis is the DehydraTECH™ technology licensing, product development and commercialization partner to progressive cannabis brands worldwide who are committed to bringing exceptional, best-in-class cannabis products to market. Hill Avenue Cannabis also provides DehydraTECH™-enabled business-to-business (B2B) solutions for both cannabis extractors and ingredient suppliers and consumer packaged goods (CPG) manufacturers whose products are infused with cannabis and or hemp extracts.

Findings from extensive scientific studies on the DehydraTECH™ technology performed by its creator Lexaria include:

- **Increased bioavailability up to 5-10x** – to equate to blood absorption by inhalational delivery
- **Increased brain permeation up to 19x** – as demonstrated in animal studies
- **Avoids first-pass liver metabolism** - mitigating unwanted side effects
- **Reduced time of onset** – effects are felt within 15-20 minutes vs. 60-120 minutes
- **Masks unwanted tastes** – eliminating the need for sugar-filled edibles

The evolution of Hill Avenue Cannabis Technologies has fundamentally changed the Hill Street business model in several significant ways – geographically, operationally, and financially.

- **Geographical Impact**
  When Hill Avenue Cannabis acquired the global rights to the DehydraTECH™ technology for use with THC products, it also acquired pre-existing DehydraTECH™ licensing agreements with certain US LPs. Thus, Hill Avenue immediately entered licensing into the U.S. cannabis market, generating revenues from licensing partners already operating across multiple U.S. states.

  Since the DehydraTECH™ rights were acquired in December 2020, the Company has expanded its licensing to an operating footprint in the U.S. that now covers eleven states with a total population of 121MM[1] and an addressable market of approximately $22B USD in estimated 2022 cannabis sales[2]. That footprint covers states generating approximately two-thirds of the addressable market of $33B USD in projected total U.S. cannabis sales for 2022[3].

  Because of the nature of the DehydraTECH™ licensing business, the ability to expand into global markets is facilitated by a licensing model in which we can easily expand our footprint without major capital or operating expenses.

- **Operational Impact**
  The DehydraTECH™ licensing business is a B2B business model that utilizes the Company's prior CPG product development and commercialization knowledge to accelerate its agenda of becoming a premium cannabis biodelivery technology and ingredient solutions provider to companies looking to market premium, progressive cannabis edibles.

  By combining Hill Street's strengths with those of DehydraTECH™ creator Lexaria's and Hill Street's downstream DehydraTECH™ licensees, the Company has created an ecosystem with robust capabilities in bioscience, food science, new product format and recipe development, as well as commercial manufacturing and operations for a range of consumer product form factors.

- **Financial Impact**
  The overall financial efficiency of the DehydraTECH™ technology licensing business is superior to the legacy beverage business, bringing significantly higher margins and avoiding the requirements for finished product inventory and working capital investment that are required in the beverage business.

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[1] US Census Bureau, https://www.census.gov/quickfacts/fact/table/US/PST045221
[2] MJBiz Factbook 2022
[3] MJBiz Factbook 2022

RESULTS OF OPERATIONS

Resulted for the period ended	**Quarter Ended December 31, 2022**	Quarter Ended December 31, 2021	**Six Months Ended December 31, 2022**	Six Months Ended December 31, 2021
	$	$	$	$
Gross Revenue	1,826,912	576,622	2,207,414	1,237,105
Chargebacks & listing fees	(249,079)	(67,885)	(275,931)	(123,629)
Net Revenue	1,577,833	508,737	1,931,483	1,113,476
Direct Costs	(738,156)	(252,280)	(851,253)	(522,597)
Gross profit	839,677	256,457	1,080,230	590,879
Expenses				
Accretion expense	3,277	2,623	6,377	5,103
Bad debt expense	500	-	118,651	-
Bank charges and interest	4,312	2,613	7,541	5,216
Consulting fees	-	19,100	22,163	32,121
Depreciation	80,499	89,069	160,997	178,111
Donations, dues & licenses	-	(829)	-	528
Filing and transfer agent fees	11,900	13,352	17,928	15,324
Insurance	75,591	39,952	134,981	79,674
Interest on promissory note	62,655	49,466	116,884	96,335
Management fees	27,750	60,890	63,986	98,057
Marketing	26,322	54,231	46,298	104,543
Office and miscellaneous	53,102	30,440	123,247	70,647
Professional fees	115,989	150,322	176,392	266,026
Stock-based compensation	53,097	45,057	89,829	101,140
Travel and meal allowance	20,780	9,089	30,877	24,023
Wages and salaries	264,707	319,249	515,624	591,145
Selling and delivery	230,257	97,605	305,380	199,700
	(1,030,738)	(982,229)	(1,937,155)	(1,867,693)
Loss before other income (expenses)	(191,061)	(725,772)	(856,925)	(1,276,814)
Other income (expenses)				
Foreign exchange (loss) gain	(26,583)	7,872	(8,287)	9,114
(Loss) on settlement of liability	-	(2,933)	-	(2,720)
Gain (loss) on fair value of consideration	-	20,945	-	(14,471)
Write-off of inventory	-	(2,522)	-	(20,579)
Other income	2,627	2,934	4,324	6,434
	(23,956)	26,296	(3,963)	(22,222)
Net loss and comprehensive loss	(215,017)	(699,476)	(860,888)	(1,299,036)

FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2022 AND 2021

CONSOLIDATED NET REVENUES

For the Six-Month Period Ended		December 31, 2022	December 31, 2021
Non-alcoholic beverage sales	$	1,674,603	1,002,398
DehydraTECH licensing income		497,534	189,204
Other income		35,278	45,503
Chargebacks and listing fees		(275,932)	(123,629)
	$	1,931,483	1,113,476

For the six-month period ended December 31, 2022, consolidated net revenues increased 73% to $1,931,483 compared to $1,113,476 in the six-month period ended December 31, 2021. Net revenues are a better reflection of the revenue health of our consolidated business, both on the Vin(Zero) alcohol-free beverage side as well as our cannabis-related business initiatives.

Chargebacks are fees charged by retailers and distributors for marketing programs and discounts, as well as other fees or penalties. Chargebacks for the six-month period ended December 31, 2022 were $275,932 vs. $123,629 for the prior year quarters and fluctuate based on the number of retailer programs that are going on during the time period.

Non-Alcoholic Beverage Sales

	Dec 31, 2022	Sept. 30, 2022	June 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021
Gross Revenue	1,487,021	187,582	1,197,503	778,024	475,530	526,868
Chargebacks	(249,080)	(26,852)	(216,450)	(108,119)	(67,885)	(55,744)
Net Revenue	1,237,941	160,730	981,053	669,905	407,645	471,124
CoGS	(738,156)	(113,097)	(746,956)	(406,038)	(252,425)	(270,172)
Gross Profit	499,785	47,633	234,097	263,867	155,220	200,952
GP %	34%	26%	20%	34%	33%	39%

The increase in Vin(Zero) net revenue over the same period last year was driven primarily by timing and revenue shifts associated with the recently transformed business model. Our sales revenues to our distributor are now spread further apart with less frequent, but more significant volume per order, as we optimize the timing and efficiency of our supply chain. After achieving record revenues in Q4 of FY 2022, Q1 FY 2023 revenues declined as we had expected and communicated. The most recent period Q2 FY 2023 delivered another revenue record for the business, reflecting the new business model which calls for ordering customer inventory during the optimal seasons for minimizing transport costss. Accordingly, we anticipate our next quarter Q3 FY 2023 to again be a low revenue quarter on this business line with the new cadence.

DehydraTECH Licensing Income

	Dec 31, 2022	Sept. 30, 2022	June 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021
Licensing Income	327,699	169,835	138,111	76,723	58,859	130,345

For the six-month period ended December 31, 2022, DehydraTECH licensing income ("**DehydraTECH Revenues**") increased 163% to $497,534 compared to $189,204 in the six-month period ended December 31, 2021. The increase in DehydraTECH Revenues was due to increased sales and activity among Hill Street's licensees and sublicensees, including new product launches and expansion into additional US states. We expect that revenues from new licensee launches in the fall of 2022 will build in future quarters. Additionally, we anticipate the launch of additional licensees and consumer form factors throughout 2023 that will be announced as those products go to market.

COST OF SALES/DIRECT COSTS – NON-ALCOHOLIC BEVERAGE SALES

Cost of sales were $851,253 or 51% of gross revenue for the six-month period December 31, 2022 compared to $522,597 or 52% of gross revenue for the six-month period ended December 31, 2021.

OPERATING EXPENSES (EXCLUDING ONE-TIME & NON-CASH)

Ordinary operating expenses include selling, delivery and marketing expenses, employee expenses, interest, insurance, professional fees, and other general and administrative expenses. For the six-month period ended December 31, 2022, operating expenses were slightly higher at $1,937,155, compared to $1,867,693 for the six-month period ended December 31, 2021.

OPERATING EXPENSES – ONE TIME

Included in operating expenses are the following one-time transactions:

- During the six-month period ended December 31 2022, the Company wrote-off $118,651 to bad debt expense as the result of a customer amount owing being deemed uncollectible.

- During the six-month period ended December 31, 2021, the Company incurred significant one-time professional fees associated with outsourced human capital, increased HR fees due to employee placement and one-time ERP implementation fees, all causing professional fees to be higher than normal.

OPERATING EXPENSES - NON-CASH

For the six-month period ended December 31, 2022, the Company incurred non-cash expenses totaling $496,256 which includes expenses related to the vesting of stock options, restricted share units, depreciation, bad debt, accretion expense, and accrued interest. For the six-month period ended December 31, 2021, the Company incurred non-cash expenses of $419,535. The increase is mainly due to recognition of bad debt expense.

OTHER INCOME (EXPENSES)

For the six-month period ended December 31, 2022, the Company incurred other expenses totaling $3,963. This includes a foreign exchange loss of $8,287, which was offset by interest income of $4,324. For the six-month period ended December 31, 2021, the Company incurred other expenses totaling $22,222. This includes a loss on fair value of consideration of $14,471, a loss on settlement of liability of $2,720 and a write-off of inventory of $20,579, which was offset by a foreign exchange gain of $9,114 and interest income of $6,434.

SELECTED QUARTERLY INFORMATION

The following table summarizes certain financial information of the Company for the quarters indicated below:

	Dec 31, 2022	Sept. 30, 2022	June 30, 2022	Mar 31, 2022	Dec 31, 2021	Sept 30, 2021	June 30, 2021	Mar 31, 2021
Gross Revenue	$1,826,912	$380,502	$1,434,354	$988,549	$576,622	$660,483	$718,755	$774,747
Net Revenue	$1,577,833	$353,650	$1,217,904	$880,943	$508,737	$604,739	$519,194	$655,259
Direct Costs	$738,156	$113,097	$746,451	$406,183	$252,280	$270,317	$261,583	$317,155
Gross Profit	$839,677	$240,553	$471,453	$474,760	$256,457	$334,442	$257,611	$338,104
Net Loss (gain)	$215,017	$645,871	$845,206	$433,693	$699,476	$599,560	$1,469,469	$660,387
Total Assets	$5,806,265	$5,434,740	$6,157,841	$6,504,174	$6,551,448	$7,125,001	$7,609,334	$5,935,113
Total Liabilities	$3,126,245	$3,287,575	$3,401,537	$3,225,247	$3,241,881	$3,161,015	$3,632,174	$5,031,004
Shareholder Equity	$2,680,020	$2,147,165	$2,756,304	$3,278,927	$3,309,567	$3,963,986	$3,977,160	$904,109

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL POSITION

The Company’s principal capital needs are for operating expenses related to inventory, general and administrative, and marketing expenses for its two main lines of business. The Company’s alcohol-free beverage business requires significant investments in finished goods inventory that are not necessary in the cannabis-related DehydraTECH licensing business.

WORKING CAPITAL

As of December 31, 2022, the Company had a positive working capital of $1,738,208 compared to a positive working capital of $1,530,006 at June 30, 2022.

Balances for the Period Ended	Dec. 31, 2022	June 30, 2022
Cash and cash equivalents	$1,983,083	$1,153,195
Accounts receivable	$403,621	$1,343,994
Total Cash + Accounts receivable	$2,386,704	$2,497,189

CONTRACTUAL OBLIGATIONS

A summary of the Company's contractual obligations for future periods is as follows:

Contractual Obligations	Payments due in:				Total
	1 year	2-3 years	4-5 years	Over 5 years	
Accounts payable and accrued liabilities	$607,827	-	-	-	$607,827
Lease liability	$22,599	$46,768	$3,956	-	$73,323
CEBA loan	$60,000	-	-	-	$60,000
Note payable	$80,627	$460,233	$564,610	$1,290,016	$2,395,486
Total	$771,053	$507,001	$568,566	$1,290,016	$3,136,636

SHARE CAPITAL

The Company is authorized to issue an unlimited number of Common Shares of which 242,640,400 Common Shares are issued and outstanding as of the date hereof.

During the six-month period ended December 31, 2022:

- 2,200,000 of the restricted share units ("**RSUs**") previously granted were redeemed by employees for common shares of the Company. The fair value of RSUs redeemed, being $80,500, was reclassified to share capital from reserves.
- On December 23, 2022, the Company issued 17,500,000 units at a price of $0.04 per unit for gross proceeds of $700,000 (the "**December 2022 Private Placement**"). Each unit consists of one common share and one common share purchase warrant, with each whole warrant exercisable into one common share of the Company at an exercise price of $0.05 per share, exercisable for a period of 24 months from the date of issuance. The warrants were assigned a value of $156,763. In connection to the private placement, the Company paid $5,225 in cash for share issuance cost.

On October 12, 2022, the Company granted 1,000,000 RSUs to an officer of the Company. These RSUs are set to vest on October 12, 2023 and are subject to the RSU Plan of the Company.

CAPITAL RESOURCES

As of December 31, 2022, the Company did not have commitments for capital expenditures.

OFF-BALANCE SHEET ARRANGEMENTS

Hill Street does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

TRANSACTIONS WITH RELATED PARTIES

The Company considers its executive officers and directors to be key management personnel. The Company incurred the following amounts to related parties during the respective periods for key management personnel compensation.

During the Six-Month Period ended December 31,	**2022**	**2021**
Total salaries, benefits and management fees	$330,917	$496,483
Stock-based compensation	$92,476	$98,875
Management and director compensation	$423,393	$595,358

Included in accounts payable and accrued liabilities as at December 31, 2022 is $196,275 (June 30, 2022: $504,665) payable to directors and officers of the Company for officer bonuses and director fees. The amount is non-interest bearing and unsecured.

On December 23, 2022, certain directors and officers participated a total of $232,000 in the December 2022 Private Placement.

OUTLOOK

Both the Company's alcohol-free beverage and DehydraTECH™ licensing businesses have global growth potential in on-trend consumer categories. We made significant advances in calendar year 2022 in transforming our alcohol-free beverage operating model for Vin(Zero). The changes will fundamentally shift the cadence of the Hill Street's revenues across quarters, but we expect it to drive more efficient financial metrics that are critical for the Company's business. We will leverage the streamlined distribution process and capitalize on marketing initiatives and global distribution opportunities with the intention of continually increasing revenues while maintaining or improving current margins.

We have also expanded our US commercial operations on a state-by-state basis for DehydraTECH™ licensing and have developed a broad portfolio of consumer form factors with an expanded ecosystem of partners. We will work with this DehydraTECH™ ecosystem and partners to not only grow within the territories where the Company currently operates, but to also leverage the intellectual capital and network the Company has built to both grow with current licensees and engage new ones as appropriate to build out our geographic and consumer product form factors roadmap.

Heading into the second half of FY2023, Hill Street is ready to scale these playbooks into new territories and new consumer products as it pursues its growth agenda.

OUTSTANDING SHARE DATA

As of February 28, 2023, the Company has the following securities issued and outstanding:

Security Designation	Number issued and outstanding
Common Shares	242,640,400
Warrants to purchase Common Shares	71,351,444
Incentive Stock Options	10,512,549
Restricted Share Units	10,971,223
Fully Diluted	**335,475,616**

CRITICAL ACCOUNTING ESTIMATES

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the provision for income taxes.

Calculation of the net book value of machinery and equipment requires management to make estimates of the useful economic life of the assets, residual value at the end of the asset's useful economic life, method of depreciation and whether impairment in value has occurred. Residual values of the assets, estimated useful lives and depreciation methodology are reviewed annually with prospective application of any changes, if deemed appropriate. Changes to estimates could be caused by a variety of factors, including changes to the physical life of the assets. A change in any of the estimates would result in a change in the amount of depreciation and, as a result, a charge to net income recorded in the period in which the change occurs, with a similar change in the carrying value of the asset on the balance sheet.

GOING CONCERN

As at December 31, 2022, the Company had not yet achieved profitable operations, had a net loss of $860,888 (December 31, 2021: $1,299,036), accumulated deficit of $23,084,459 (June 30, 2022: $22,223,571), and expects to incur further losses in the foreseeable future, all of which indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.