FRX INNOVATIONS INC. (Formerly Good2GoRTO Corp.)

Management Discussion and Analysis

March 31, 2023

GENERAL

FRX INNOVATIONS INC. ("FRX", "Company"), was formed through an amalgamation of FRX POLYMERS, INC. a Delaware corporation formed on December 27, 2006 and a subsidiary of Good2GORTO, a Canadian federally incorporated company. The Company's Canadian office is located at 1120 – 1040 West Georgia St., Vancouver.

This management's discussion and analysis ("MD&A") should be read in conjunction with FRX's audited consolidated financial statements and related notes-disclosure as of December 31, 2022, and for the quarter ended March 31, 2023 as prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS").

The Company manufactures polyphosphate polymers that are inherently flame retardant and sold under its Nofia® product line. These polymers are intended to be used as additives by manufacturers that make products that have desirability or requirement for flame retardancy.

The Company presents its consolidated financial statements in United States dollars. In this MD&A, all references to "$" or "dollars" are to United States dollars unless otherwise indicated. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile.

Information contained in this MD&A is based on information available to management as of July 12, 2023

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements that relate to management's current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as "forecast", "target", "goal", "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict", or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. Management has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect the FRX's financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to the FRX's financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, plans and objectives. Particularly, information regarding the FRX's expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information.

Forward-looking statements are based on certain assumptions and analyses made in light of management's experience and perception of historical trends, current conditions and expected future developments and other factors management believes are appropriate.

Although management believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect and there can be no assurance that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, readers should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the FRX's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "PART IV - Risk Factors" in the Filing Statement, which factors should not be considered exhaustive and should be read together with the other cautionary statements in this MD&A.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Although management bases these forward-looking statements on assumptions that it believes are reasonable when made, FRX cautions readers that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this MD&A. In addition, even if the company's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this MD&A, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, investors are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement that is made in this MD&A speaks only as of the date of such statement, and the Company undertakes no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments, except as required by applicable securities laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

DESCRIPTION OF BUSINESS

The Flame-Retardant Plastics market is $62Bn [1] according to industry studies. This industry is supported by $10Bn[2] worth of flame-retardant additives.

Flame retardancy is a legal requirement in applications where plastics come in close proximity to electricity, or other sources of ignition, and in applications where plastics, foam, film and textiles are used in transportation and commercial or residential buildings. Flame retardant additives are sold to the major companies and compounders/formulators who incorporate additives into their host plastics which allows their resulting host plastics to meet rigorous fire standards established by governments around the world.

FRX is an emerging player in the $10bn global flame retardants business, with an established, patented, product line that is both halogen (bromine and chlorine) and per and polyfluoroalkyl substances (PFAS) free. Consequently, FRX's Nofia® product line is well positioned to grow as regulatory and consumer driven pressures re-shape components of this business. $4.5bn[3] of this market are halogenated flame retardants together with their synergist and PFAS containing flame retardants which have long been the target of Green NGO's and government regulation. Approximately $1.5bn[4] of that is expected to be substituted with non halogenated and safer flame retardants in the coming 3 years, and in applications we believe are suitable for FRX's Nofia® flame retardants.

The Company operates a modern state-of-the-art purpose-built manufacturing plant located on the Port of Antwerp Belgium, - the largest chemical manufacturing cluster in Europe.

The production facility was specifically designed to produce FRX's patented polyphosphonate homopolymers, copolymers and oligomers. All three product lines are produced on the same asset.

The plant is centrally controlled from its control room and from the control room, every piece of equipment in the plant is operated centrally. As a result, the Company only requires two operators per shift to produce its products.

Special metallurgy has been incorporated into the production plant which allows the production of the highest quality polyphosphonate resins possible.

The process uses gravity flow the material from one vessel to the other. All materials are brought to the top floor (floor 6) either by elevator or conveyed by pumps and the batch is prepared and then flows down through a series of process vessels and reactors and is finally pelletized, dried and packaged on the 1st floor.

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[1] Multiple published market surveys
[2] Multiple published market surveys
[3] Multiple published market surveys
[4]Calculation based on FRX market knowledge of use patterns of flame retardants, and announced regulatory actions

Together with the production of FRX's Nofia® product line, a bi-product is produced and sold under long term contracts to customers in the EU. The bi-product's sales price fluctuates per a formula indexed on the price of benzene which price is based on the price of oil. In this way, FRX's chemistry provides a natural hedge against changing oil prices.

FRX operates a near 100% atom efficiency process which means near zero waste. Product yield typically exceed 97%. FRX's batch production process is highly flexible and is the reason that three different product lines can be produced on the same asset. Every kilogram of polymer is filtered before pelletizing to ensure the highest quality possible.

In addition to environmental and health-conscious safer flame retardancy, the Company's product line offers a number of desirable secondary properties in defined end use applications, which give the customer the opportunity to produce differentiated flame-retardant plastic products.

As of this date, the Company has a total of 64 patent applications globally which cover 25 separate patent families. Of these 64 patents, 40 patents have been granted and 24 are published. The remaining patent applications are in the prosecution process.

To our knowledge Nofia® is currently the world's only halogen-free flame retardant technology that has been found to function in ABS plastic, currently dominantly flame retarded with Brominated flame retardants. This plastic commands approximately USD $1B of the flame retardants of plastic enclosures surrounding electronic devises such as televisions, monitors, printers, home appliances, etc.

Nofia® flame retardants are already the second most commonly used flame retardant family in inherently flame resistance polyester fibers. Recent customer successes in other application areas confirm the potential growth in other flame retardant consuming industries.

RECENT DEVELOPMENTS

April 17, 2023 – FRX announced that it had filed a new patent for polycarbonate (PC) plastics and its alloys. This invention is free of the increasingly banned "forever" PFAS chemicals and allows for completely PFAS-free formulations in polycarbonate, including elimination of the well-known anti-drip agent, PTFE.

April 12, 2023 - FRX engaged a new auditing firm MNP in response to its former auditor being restricted from auditing certain Canadian listed reporting issuers. Accordingly, the Company received relief under a management cease trade order granted by the Ontario Securities Commission which allowed for the filing of the December 31, 2022 year end audited financial statements and the March 31, 2023 interim financial statements before July 12, 2023.

March 15, 2023 – the Company completed a non-brokered private placement offering of 13,091,000 units of the Company ("Units") at a price per Unit of CAD$0.30 for aggregate gross proceeds of CAD$3,927,300. Each Unit consists of one common share and one common share purchase warrant of the Company. Each Warrant entitles the holder to purchase one additional common share of the Company at a price of CAD$0.40 at any time on or before the 36-month anniversary of the date of closing. Cash commissions of $81,768 and 368,634 warrants were paid in association to the offering. The net proceeds from the offering will be used for general and corporate working capital purposes. All securities issued pursuant to the Offering will be subject to a statutory hold period ending on June 28, 2023.

January 31, 2023 - FRX announced that it had begun trading on the OTC QB under the symbol FRXIF.

January 31, 2023 – The Company settled an outstanding CAD $305,200 of trade payables owing to an arm's length creditor by issuing an aggregate of 1,017,333 common shares in the capital of the Company at a price of $0.30 per common share.

January 10, 2023 – FRX closed the final tranche of its non-brokered private placement for an aggregate 5,446,012 units of the Corporation (the "Units") at a price of C$0.30 per Unit for aggregate gross proceeds of approximately C$1,633,804. The Corporation intends to use the proceeds of the Offering to continue to advance the development of its Nofia® flame retardants and for general corporate purposes. Each Unit consists of one common share of the Company and one common share purchase warrant of the Company entitling the holder thereof to purchase one additional common share of the Company at a price of $0.40 at any time on or before the 36-month anniversary of the date of closing.

On May 16, 2022, Good2GoRTO Corp. ("G2G") and FRX Polymers Inc., a private company incorporated in Delaware, United States, completed a three-cornered amalgamation and a reverse triangular merger, pursuant to which, newly formed subsidiaries of FRX Polymers, Inc. and of G2G amalgamated and the resulting entities became wholly-owned subsidiaries of G2G.

Prior to the amalgamation, G2G completed a consolidation of the G2G common shares on the basis of one post- consolidated G2G share for every 3.5 pre-consolidation G2G common shares and changed its name from "Good2GoRTO Corp." to "FRX Innovations Inc.". Each FRX Polymers, Inc.'s share was exchanged to 1.0767 common share of the Company. All prior share capital information has been presented based on this ratio.

As a result of the completion of this transaction, the former holders of FRX Polymers, Inc.'s common shares and convertible notes held approximately 97% of the issued and outstanding common shares of the Company and former holders of G2G shares held approximately 2% of the common shares of the Company and approximately 1% of common shares of the Company are held by finders.

On May 24, 2022 the common shares of the Company commenced trading on the TSX Venture Exchange under the new name "FRX Innovations Inc.", under the trading symbol "FRXI.V".

MARKET STRATEGY

FRX has sought, and successfully partnered with major players in several important flame retardant consuming industries. Technical successes with these companies give confidence of the further development of technical applications and adoption of FRX products and ultimately to the future growth of FRX, both through the expansion of sales by those companies, but also by other companies choosing to develop similar products, also based on Nofia products.

Flame Retardant Textiles

Textiles are currently the largest segment for the Company. Three of the world's top 7 polyester producers use Nofia® flame retardants. These customers encompass the below segments.

1. Consumer recycled polyester fibers,
2. Harder wearing fabrics suitable for applications such as furniture,
3. Non-halogenated synthetic hair for wigs,
4. Polyamide for military combat uniforms,
5. Cationically dyed polyester textiles.

We anticipate growth in textiles will mostly come from the trend towards greater use of recycled polyester.

Electronic & Electrical Housings

Commencing in 2022, there have been significant changes in regulations relating to electronic housing both in Europe and the USA. FRX Nofia flame retardants are unique today in meeting the required fire standard in a non-halogen formulation for Acrylonitrile Butadiene Styrene (ABS) a major plastic used in consumer electronics and appliances. Two very large producers have developed their own Nofia-based formulations, and others will likely follow.

We are also focused on growth in Polycarbonates (PC) - a group of thermoplastic polymers commonly flame retarded with Rimar salt a PFAS chemical. Rimar salt now requires disclosure in North America and in the European Union with possibly more restrictions coming. Major original equipment manufacturers ("OEM's") have announced that they will not use these chemicals in the future. 3M, the best-known producer of this product, announced in December 2022 that it will cease its production by 2025, owing to the considerable litigation faced by it and other PFAS based chemical producers. FRX and its distributors, have provided samples to over 30 PC producers and compounders to replace this PFAS chemical. Feedback so far has been very positive, and on May 4th, 2023, FRX filed a patent application to further protect inventions and intellectual properties made in this application.

Additionally, Green organizations and some European national regulators are advocating for the commonly used anti-drip additive PTFE to be declared a PFAS, "Forever Chemical", and some OEMs and brands are requesting its removal in future products. We have already developed PTFE free products based on our Nofia flame retardants and we are discussing with major industry participants on the adoption of Nofia for this emerging need.

The other major plastic resin system used in electronic housing applications is Polycarbonate/ABS alloys and this resin system is flame retarded with a very popular liquid phosphorus flame retardant known as BDP. There is about USD $4Bn of Flame Retarded PC/ABS used in the electronic housing market. The flame retardant, BDP, contains an impurity known as TPP. It is currently allowed to have maximum of 1% residual TPP in BDP. TPP is currently under government review and industry participants expect that residual TPP levels will be reduced which will make BDP more difficult to produce and thus increase its cost. FRX's Nofia® flame retardants have been found to function well and offer up to 30 degrees C higher heat distortion properties in PC/ABS. Nofia® is TPP free and consequently we consider this segment a priority growth opportunity for us. Already industry compounders like Polymer Compounders Ltd. of the United Kingdom and a customer of ours, have produced PC/ABS product lines based on Nofia® which are being actively marketed in a range of applications.

<u>Printed Circuit Boards</u>

An FRX flame retardant is used in one small Printed Circuit Board application and is approved for larger volume applications; however, the later application area has not yet come to commercial fruition but is expected to become commercial in the next quarters.

<u>Foams and Films</u>

FRX has collaborated with the two global leaders of polyester films and polyester foams. Nofia® flame retardants are in existing commercial products. The flame-retardant polyester foam market is expected to grow in transportation applications as these products replace older technology based on halogenated flame retardants. Potential new applications for flame retardant polyester film include use in newer designs of lithium-ion batteries.

Nofia flame retardants are used for interior foam applications in global luxury brand vehicles, produced in China. Nofia flame retardants are now under evaluation by potential customers to replace melamine, another flame retardant under regulatory pressure, which was announced as a Substance of Very High Concern by the EU in January 2023.

<u>Coatings</u>

One of the world's largest paint companies has an FRX flame retardant approved in a high performance transport coating. Other companies are evaluating the same FRX flame retardant in textile coatings where both melamine and / or halogenated flame retardants will need to be replaced in the future. One of the key benefits of Nofia flame retardants is that they can be used as part of a transparent coating. This is currently unique in the industry, as no other known and accepted flame retardant offers transparency and flame retardancy simultaneously.

The most vulnerable halogenated flame-retardant applications in coatings use approximately $50M of flame retardant products per year.

RESEARCH AND PRODUCT DEVELOPMENT

We are highly focused on expanding the use of our products in areas where regulations are causing potential customers to replace legacy flame retardants. We work on optimizing formulations to allow customers to meet more demanding end specifications, and also to develop the most cost-effective formulations.

FRX is committed to the development of new applications for our products. We do this through a combination of our in-house lab team, our channel partners and with other customers who present us ideas and needs. Where necessary, we engage external consultants to help with new developments.

Product Line

Nofia flame retardants are to our knowledge the only commercially available polymeric non-halogen flame retardants suitable for the applications we focus on. Our products are comprised of three categories:

i. Homo-polymers - our standard products for use in most applications, notably polyesters, and ABS.
ii. Co-polymers - especially developed for use with polycarbonate and its blends (commonly used plastics in everyday electronics).
iii. Oligomers - used in polyurethane, printed circuit boards and as dispersions in coatings.

OUTLOOK

In 2019 the European Eco-Design regulation banned the whole class of halogenated flame retardants from the enclosures and stands of TVs and monitors.

This is the first action of its type to affect a whole class of halogenated flame retardants. On March 16, 2022, that decision was confirmed in a European court. Similarly, the state of New York signed into law essentially identical legislation right at the end of 2021, which in practice will affect the entire US supply chain. As such, Washington State announced on May 31, 2023, that it would extend the ban to include all electrical home appliances used inside the home. Applications include "high touch" items such as laptops, mobile phones, kitchen appliances, washing machines, irons, coffee makers, vacuum cleaners, hair dryers, and power tools. In January

2023 the European Union put TBBA, the largest brominated flame retardant on the "Substance of Very High Concern" list, which means that many uses will be effectively phased out, a process that OEMs are already initiating. In June 2023, three flame retardants, TBBA, TPP and TCEP were subject to a Significant New Use Rule by the US EPA. This means that any new application intending to use these flame retardants is subject to being approved by the EPA in advance. Later in 2023, Canada is expected to confirm or modify restrictions on the largest non-reactive brominated flame retardant "Deca Ethane". In June 2023 the US National Toxicology Program determined that the largest chlorinated flame retardant, TCPP, shows clear evidence of carcinogenic activity in female mice. Furthermore, the European Union's Regulatory strategy for Flame Retardants published in March 2023 made it clear that further restrictions will come for halogenated and some other flame retardants.

Independent assessments of Nofia flame retardants by the following organizations demonstrated a superior sustainability profile than other flame retardants used in the applications targeted.

i. GreenScreen Benchmark 3.
ii. ChemFORWARD SAFER Class B.
iii. TCO listing.
iv. ChemSec Marketplace Alternative.

TEAM

We have a highly skilled team of engineers, polymer scientists, chemists as well as a highly qualified customer service team and experts in commercial, marketing and selling. We have employees of 10 different nationalities. Where necessary we supplement these skills with experienced consultants.

NON-FINANCIAL METRICS

New customer gains – we track new direct customers, as well as significant new Distributor accounts. We report when a technical approval is granted and later when there is a first order indicating commercial business. We also include significant new end users for existing customers. In 2022 we received notice of 17 new technical approvals, and two new commercial customers. Several of those technical approvals have already led to new commercial business in 2023.

Operating Summary

Production at the Antwerp plant recommenced on April 10, 2023 after having being closed since October 14, 2022 .

Financial Summary

Summary of Quarterly Results

Below is a summary of the Company's quarterly results, prepared under International Financial Reporting Standards:

Description	Q1 March 31 2023	Q4 December 31 2022	Q3 September 30 2022	Q2 June 30, 2022
Revenue	628,775	311,032	$397,182	$1,305,790
Loss for the period	(1,616,078)	(5,996,419)	($1,764,489)	($2,698,185)
Loss per share (basic and diluted)	(0.02)	(0.09)	($0.03)	($0.04)
Description	**Q1 March 31, 2022**	**Q4 December 31 2022**	**Q3 September 30 2021**	**Q2 June 30, 2021**
Revenue	$1,100,132	$2,241,787	$1,360,893	$1,154,961
Loss for the period	($4,644,515)	($5,634,139)	($1,888,671)	($1,108,692)
Loss per share (basic and diluted)	($0.06)	($0.06)	($0.08)	($0.05)

Operating results for the 3 months ended March 31, 2023

At March 31, 2023 the Company had cash $1,069,209 (2022 - $353,474). Cash operating expenses consumed $2,396,807. Proceeds of $2,935,847 were received in the period from non-brokered private placements

Trade receivables of $516,217 (2022 – 1,591,855) represent a substantial reduction in outstanding balances. The change was largely tied to diminished sales activity and management's continued emphasis on collection.

Inventory of $2,930,022 (2022 - 2,507,524) an increase of $422,598 include $2,666,058 of finished goods and $470,283 of raw materials. The 17% increase in finished goods is attributable to the decline in sales, hence the strategic decision to temporarily cease production.

Management is vigilance to maintain sufficient inventory to complete the sales projections for the year given production volume constraints and the need to preserve working capital.

The Company continues to focus on optimization of batch processing time at the plant to achieve improved utilization of production resources.

Revenues for the three months ended March 31, 2023 were $628,775 (2022 - $1,100,132) although a decrease of approximately 43%, there has been an increase of $317,743 over the most recent quarter ended December 31, 2022. As previously explained by the Company there has been significant market uncertainty caused by economic conditions in China, and the conflict in the Ukraine. As a result, buyers of the Company's products were de-stocking during the second half of 2022.

Cost of goods sold decreased by $1,136,338 when compared to the corresponding period in the prior year, but more importantly, there was an improvement in gross margins from negative 45% to positive 20%. Whereas the costs of raw material particularly phosphorous and energy costs were at historical highs in the prior period due to world supply constraints and the Ukrainian Russia, there was a trend to normality of the raw material costs in the quarter. In particular, energy prices have decreased substantially. Included in cost of goods sold are non cash costs relating to depreciation and amortization of $271,744 (2021 - $521,788).

Operating expenses of $1,616,106 (2022 - $1,421,585) represent a 14% increase on a quarterly basis as compared to the 2022. The key components are:

i. Administrative expenses of $1,256,174 (2022 - $1,121,345) an increase of $134,859 or 12% includes a non-cash stock-based compensation expense in the form of stock options for investor relations expense, $229,389 in depreciation and utilities of $93,840, while Canadian operations accounted for $282,000 (2022 - $167,000), the increase related to audit expense and Investor relations.
ii. Research expenses of $ 187,872 (2022 - $156,495) an increase of $31,377 over the same period in the prior year as the Company refined product use applications.
iii. Sales and marketing of $ 172,060 (2022 - $143,745) an increase of $28,315 due to increase travel and trade show participation.

The Company conducts most of its sales in USD. Its reporting currency, with the exception of European sales which are conducted in Euro, is USD. The bulk of the plant and equipment is located in Europe and is recorded in Euro. At the period end, the long term debt was denominated in Euro. During the period, the exchange rate of the Euro appreciated from USD 1.109 to USD 1.087, the average rate during the period was USD 1.073 and represents a 4.9% decrease over 2022. The net effect of these changes is that assets and liabilities denominated in Euros as translated are 2.2% lower than the comparative December 31, 2022 balance, and income statement items relating to the Belgian operations translated at the average for the period were 4.9% lower than the comparable period in 2022.

The result of foreign currency fluctuation resulted in a noncash gain of $10,717 (2022 - $226,754 - loss).

Other expenses included interest expense was $173,769 (2022 - $658,971). A decease of $485,202 or 74% was attributable to the conversion of the 2019 / 2020 notes as well as the pre-RTO debenture at 8% to equity as part of the closing of the RTO transaction. Included in 2022 was a $1,841,043 charge for listing expense

Net Comprehensive loss was $ 1,024,010 (2022 - $4,644,515) including a gain in Foreign currency translation of $592,068.

Liquidity and Capital Resources

A working capital deficit of $ 8,110,770 (2022 – $2,277,529) is largely attributable to an $8,110,084 reclass of notes payable from long-term to current liabilities. The reclass is the result of a covenant breach at December 31, 2022 that was subsequently waived. As the waiver was received after the period end, the benefit has not been reflected at March 31, 2023. Other contributing factors were a slight improvement in Inventory and a reduction in account payable of $962,705.

On June 23, 2023 the Company received a $330,000 working capital loan from the Chairman of the board. Further on July 03, 2023 $100,000 was received from another director. The loans are intended to be repaid by July, 31 2024 unsecured and bear interest at 10%.

On July 4, 2023, the KBC Bank provided a waiver to the financial covenant that the Company violated as of December 31, 2022. Since the waiver was received subsequent to year end, the full amount of the credit line was presented under current liabilities as at December 31, 2022.

Cash flow from operations

Net cash used in operations was $2,396,807 (2022 – $493,931). a reduction of accounts payable consumed cash of $962,705, prepaid amounts included in other current assets consumed a further $286,697 . These amounts were partially offset by a decrease in inventories of $394,733.

Cash flow from investing activities

There was no material investing in the period.

Cash flow from financing activities

The Company raised $2,963,746 (2022 - $325,238) through non-brokered private placements as described above. The Unit offerings priced at CAD$0.30 including a common share and a whole warrant exercisable for 36 months at a price of CAD$0.40.

On April 01, 2023 the Company paid approximately $185,000 including principal and interest to KBC Bank after a period of relief from October 01, 2022. Further payments of approximately $410,000 were made in July of 2023. These repayment was instrumental in securing a waiver from the Lender on July 4th , 2023 of the covenant breach at year end that requires at minimum of Euro €10,000,000 in defined "Quasi Equity" in the Company's Belgian subsidiary. Not withstanding the waiver being effective on December 31, 2022, the Company has in its application of IFRS guidance, classifies the affected debt as current to the date of receipt of the waiver.

To date, the Company has funded its development on external financing, share issuances and where possible, government assistance to establish its technology in the market place.

SELECTED ANNUAL INFORMATION

	2022	**2021**	**2020**
Total Revenue	3,114,136	6,120,089	5,276,839
Loss from operations	6,785,156	4,789,558	4,354,823
Loss per share Basic and diluted	$ 0.23	$ 0.33	$ 0.28
Total Assets	23,386,035	25,467,159	27,878,733
Total Current Liabilities	13,774,352	4,099,444	2,786,039
Total Non Current Liabilities	3,599,480	29,551,383	25,253,913

COMMITMENTS AND OBLIGATIONS

The Company has the following commitments:

	1 year	2-3 years	4-5 years	More than 5 years	Total
Operating activities:					
Lease obligations	$ 110,500	$ 66,500	-	-	$ 177,000
Right to build Contract	37,336	76,124	77,600	607,081	798,141
Financing activities:					
Principal repayments on Loan Facility	1,534,456	3,645,167	3,823,282	3,491,340	12,494,244
Gigarant Guarantee	204,723	242,635	-	-	447,359
Royalty obligation	-	-	429,571	2,083,945	2,513,516
	$ 1,887,016	$ 4,030,426	$ 4,330,453	$6,182,366	$ 16,430,260

OFF-BALANCE SHEET ARRANGEMENTS

The Company is party to a claim by the Flemish government with respect to monies received pursuant to a 2014 strategic transformation grant.

On May 9 the Company received formal confirmation of a stay in the case until June 30, 2023 following which there has been no further activity to date.

In the Company's view, based on the advice of legal council that the retro-active amendment of the grant terms and conditions will ultimately prove to be unsuccessful and accordingly the Company has not made any monetary provisions for a contingent liability. The anticipated legal fees associated with this matter are not viewed as material.

The Company has a contract with its CEO that provides for 12 months salary, car allowance and health benefits in the event the contract is terminated without cause.

TRANSACTIONS BETWEEN RELATED PARTIES

The Company has an administrative services agreement for human resource, IT and other administrative services with a company whose principal owner is the chairman of the Board of the Company. Fees are based on actual services performed and are billed monthly. The Company is responsible for the reasonable and necessary expenses associated with the services provided. Through this arrangement the Company is able to access tailored specialist services on better economic terms than would otherwise be the case.

For the three months ended March 31, 2023, administrative expenses incurred under this agreement totaled approximately $6,500 and are recorded in operating expenses.

On June 23, 2023, the Chairman of the Board of FRX, through a company where the Chairman is a significant shareholder, advanced a $330,000, 12-month working capital line of credit to the Company with interest calculated at 10% per annum with repayment starting on October 31, 2023, and ending on July 31, 2024.

On July 3, 2023, the managing director and vice president of the largest shareholder of the Company, who are also both directors of the Company, advanced a $100,000, 12-month working capital line of credit to the Company with interest calculated at 10% per annum, with repayment starting on October 31, 2023, and ending on July 31, 2024.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalent, trade receivable, trade payables, accrued expenses, notes payable and convertible notes payables and are classified as measured at amortized cost. The carrying amounts of these instruments at March 31, 2023 and December 31, 2023 approximate fair value.

RISK MANAGEMENT

The following risk factors, as well as other information contained in this MD&A, should be considered carefully. The operations of the Company are speculative due to the high-risk nature of its business, which relates to manufacturing and marketing new technology in the chemical additive flame retardant industry. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward–looking information relating to the Company.

Liquidity Concerns and Going Concern

The Company currently has limited financial resources. The Company's objective is ultimately to be dependent for cashflow on the commercial sales of products with flame retardant additives. Any delay in the sales of such products could result in the Company requiring additional financing. The Company's ability to continue operations in the normal course of business may depend upon its ability to secure additional funding by methods which could include debt refinancing, equity financing, sale of assets and strategic partnerships. There can be no assurance that the Company will be successful in obtaining the required financing as and when needed. Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on favourable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans or reduce or terminate some or all of its activities. Management believes the Company will be able to secure further funding as required. Nonetheless, there exist material uncertainties resulting in substantial doubt as to the ability of the Company to continue to meet its obligations as they come due.

Long and Complex Flame Retardant Sales Cycle

It has been the experience of the Company that the average sales cycle for its flame retardant products can range from one to multiple years from the time a customer begins testing the Company's product until the time that they could be used in a commercial product. The product introduction timing will vary based on the target market and target end user. The sales and development cycles for the Company's products are subject to customer budgetary constraints, internal acceptance procedures, competitive product assessments, scientific, development resource allocations, and applicable regulatory compliances among other factors beyond the Company's control. If the Company is not able to successfully accommodate these factors to enable customer development success, the Company may be unable to achieve sufficient sales to reach profitability. Failure to achieve profitability may have a material adverse effect on the Company's operating results. The flame retardant additive sales cycle is long and complex. Several milestones have to be reached in order to see a widespread adoption of the company's products in several markets.

Product validation: This includes technical performance, financial validation, sustainability, processability and logistic, and more. Different players in the supply chain are involved in validating the performance of the Company's flame retardant additive in the resulting product. OEMs, molders, and formulators are all involved in these steps, making it a time consuming process and often unpredictable.

Economic and Political Conditions

The Company has international operations, including operations in the United States, Asia and Europe. Worldwide financial and economic cycles or conditions are uncertain, and recovery from a business downturn or recession could be very slow and have significant impact on the Company's business. The Company's business is sensitive to changes in economic and political conditions, including interest rates, currency issues, energy prices, trade issues, international or domestic conflicts or political crises, and epidemics or pandemics, such as the strain of COVID-19. Global reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel and gatherings of individuals, quarantines, temporary business closures and a general reduction in consumer activity. While these effects are expected to be temporary, the duration of the disruptions to business internationally and the related financial impact cannot be estimated with any degree of certainty at this time. In addition, increasing numbers of individuals infected with COVID-19 or any potential similar virus could result in an even greater global health crisis that could adversely affect global economies and financial markets, resulting in a protracted economic downturn that could have an adverse effect on the Company's prospects. The responses of governmental authorities and corporate entities, including through mandated or voluntary shutdowns, may also lead to a general long-term slow-down in the economy and may lead to disruptions to the Company's workforce and facilities, customers, sales and operations and supply chain. Measures taken by the governments worldwide and voluntary measures undertaken by the Company with a view to the safety of the Company's employees may adversely impact the Company's business.

Product Development and Technological Change

As there is limited sustained history of successful use of the Company's flame retardant additives in products in commercial and consumer applications, there is no assurance that broad successful commercial applications may be commercially feasible. The Company competes with flame retardant manufacturing in highly competitive markets. As the markets for the Company's products and other services expand, it is possible that new competing products may be developed. However, it seems most probable that future regulatory trends will continue to favor polymeric phosphorus based flame retardants, and FRX has a significant lead in this type of product, protected with a strong patent portfolio.

Market Development and Sustained Growth

Failure to further develop the Company's key markets and existing geographic markets or to successfully expand its business into new markets could have an adverse impact on sales growth and operating results. The Company's ability to further penetrate its key markets and the existing geographic markets in which it competes, and successfully expand its business into other countries, is subject to numerous factors, many of which are beyond its control. There can be no assurance that efforts to increase market penetration in the Company's key markets and existing geographic markets will be successful. Failure to achieve these goals may have a material adverse effect on the Company's operating results.

Competition

The Company competes with flame retardant manufacturing and marketing companies, in highly competitive markets. Many of the Company's competitors have substantially greater financial, marketing and other resources and higher market share than the Company has in certain products or geographic areas. As the markets for the Company's products and other services expand, additional competition may emerge and competitors may commit more resources to products which directly compete with the Company's products. There can be no assurance that the Company will be able to compete successfully with existing competitors or that its business will not be adversely affected by increased competition or by new competitors.

Dependence on Management and Key Personnel

The Company is dependent on the services of key executives, including a small number of highly skilled and experienced executives and personnel. The Company's development to date has largely depended, and in the future will continue to depend, on the efforts of key management and other key personnel to develop its projects. Loss of any of these people, particularly to competitors, in the short term, could have a material adverse impact upon the Company's business.

Qualified Employees

Recruiting and retaining qualified personnel is critical to the Company's success. Especially if it relates to it's the Company's product line, finding skilled scientists and a sales team familiar with the subject matter is difficult. As the Company grows further, the need for skilled labour will increase. The number of persons skilled in the high-tech manufacturing and chemical additive business is limited and competition for this workforce is intense. This may adversely affect the business of the Company if it is unable to recruit and retain qualified personnel as and when required.

Timing of Implementing New Regulations Banning Toxic Flame Retardants.

The sales growth of new materials requires a catalyst to drive the adoption of new materials in a significant way. While significant new regulations have been introduced starting in 2022 and clear deadlines for making the switch over to greener flame retardant technologies are announced, these deadlines could shift and drag out should lobbying efforts to impede progress towards a greener future succeed. A significant shift could impact the rate of growth of the Company.

Launch and Operational Costs

The launch of new business, in an existing or new facility, is a complex process, the success of which depends on a wide range of factors, including the production readiness of the Company and its suppliers, as well as factors related to tooling, equipment, employees, initial product quality and other factors. A failure to successfully launch new material business could have an adverse effect on profitability. Significant launch costs were incurred by the Company in recent years. The Company's manufacturing processes are vulnerable to operational problems that can impair its ability to manufacture its products in a timely manner, or which may not be performing at expected levels of profitability. The Company's facilities contain complex and sophisticated equipment that are used in its manufacturing processes. The Company has in the past experienced equipment failures and could experience equipment failure in the future due to wear and tear, design error or operator error, among other things, which could have an adverse effect on profitability. From time to time, the Company may have some operations which are not performing at expected levels of profitability. Significant underperformance of one or more operations could have a material adverse effect on the Company's profitability and operations.

Cost Absorption and Purchase Orders

Given the current trends in our industry, the Company is under continuing pressure to absorb costs related to final product costs. Some contract volumes for customer programs not yet in production are based on the Company's customers' estimates of their own future production levels. However, actual production volumes may vary significantly from these estimates due to a reduction in consumer demand or customer product delays. Typical purchase orders issued by customers do not require that they purchase a minimum number of the Company's products. For programs currently under production, the Company is generally challenged to request price changes when volumes differ significantly from production estimates used during the quotation stage. If estimated production volumes are not achieved, costs incurred by the Company may not be fully recovered. Similarly, future pricing pressure or volume reductions by the Company's customers may also reduce the amount of amortized costs otherwise recoverable in the sales price of the Company's products. Either of these factors could have an adverse effect on the Company's profitability. While it is generally the case that once the Company receives a purchase order for products from a particular customer it would continue to supply those products until customers may cease to source their production requirements from the Company for a variety of reasons, including the Company's refusal to accept demands for price reductions or other concessions.

Inter-Competition of Competitive Plastics in Key Segments of the Market Risk
In the electronic housing market several plastic resin systems compete with one another. A short term over supply of one of these plastics resin systems can cause that plastic resin system to have unsustainably low prices making competing with it with a plastic resin system with high cost more difficult. Even just a 12 month occurrence of such an event can have the impact of predominantly moving a high percentage of the demand in a sector to the low cost plastic resin system for this period of time. If the Company's products are used to flame retard the higher cost plastics resin system, then the sales growth ramp in the sector can be impacted in the short term.

Supply Chain Risk
The Company's product line requires a key raw material to produce its product offering. The Company's primary supplier has agreed to keep an inventory of this key raw material on hand in sufficient quantity for the Company's demand. A major supply disruption of this key raw material could be beyond the Company's control and impact the Company's ability to produce its product line in a timely manner.

Material Cost Fluctuations Risk
Like is the case for the Chemical Industry generally, the company is exposed to short term fluctuations of oil prices. Events such as war, embargoes and such can impact the price of oil and consequently the price paid by the company for some of its raw materials. While the company is protected from rising oil prices, owing to the fact that it produces a co-product which is also sold on the basis of oil prices, sudden and extensive shocks to oil prices can cause a short term reduction in contribution margin. Also, significant cost increase in our key raw material could impact our contribution margin.

Laws and Regulations, Licenses and Permits
Legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non compliance in the company's general market are also increasingly stringent. A significant change in the legal and regulatory environment in which the Company currently carries on business could adversely affect the Company's operations. In addition, the Company's operations could be adversely impacted by significant changes in tariffs and duties imposed on its products, particularly significant changes to the United States-Mexico-Canada Agreement on Trade ("USMCA"), the adoption of domestic preferential purchasing policies in other jurisdictions, particularly the United States, or positive or negative changes in tax or other legislation. The Company could be exposed to increased customs audits due to governmental

policy which could lead to additional administrative burden and costs. Changes in legislation or regulation could lead to additional administrative burden and costs in general, and also carry the potential of a material fine or significant reputational risk.

Intellectual Property

The Company relies on the patent, trade secret and other intellectual property laws of the United States and the other countries where it does business to protect its intellectual property rights. The Company may be unable to prevent third parties from using its intellectual property without its authorization. The unauthorized use of the Company's intellectual property could reduce any competitive advantage that it has developed, reduce its market share or otherwise harm its business. In the event of unauthorized use of the Company's intellectual property, litigation to protect and enforce the Company's rights could be costly, and the Company may not prevail. Many of the Company's technologies are not covered by any patent or patent application, and the Company's issued and pending United States and other countries' patents may not provide the Company with any competitive advantage and could be challenged by third parties. The Company's inability to secure issuance of pending patent applications may limit its ability to protect the intellectual property rights these pending patent applications were intended to cover. The Company's competitors may attempt to design around its patents to avoid liability for infringement and, if successful, could adversely affect the Company's market share. Furthermore, the expiration of the Company's patents may lead to increased competition. In addition, effective patent, trade secret and other intellectual property protection may be unavailable or limited in some foreign countries. In some countries, the Company does not apply for patent or other intellectual property protection. The Company also relies on unpatented technological innovation and other trade secrets to develop and maintain its competitive position. Although the Company generally enters into confidentiality agreements with its employees and third parties to protect its intellectual property, these confidentiality agreements are limited in duration, could be breached and may not provide meaningful protection of its trade secrets. Adequate remedies may not be available if there is an unauthorized use or disclosure of the Company's trade secrets and manufacturing expertise. In addition, others may obtain knowledge about the Company's trade secrets through independent development or by other legal means. The failure to protect the Company's processes, technology, trade secrets and proprietary manufacturing expertise, methods and compounds could have a material adverse effect on its business by jeopardizing critical intellectual property. Where a product formulation or process is kept as a trade secret, third parties may independently develop or invent and patent products or processes identical to such trade secret products or processes. This could have a material adverse effect on the Company's ability to make and sell products or use such processes and could potentially result in costly litigation in which the Company might not prevail. The Company could face intellectual property infringement claims that could result in significant legal costs and damages and impede its ability to produce key products, which could have a material adverse effect on its business, financial condition, and results of operations.

Cybersecurity Threats

The reliability and security of the Company's information technology ("IT") systems is important to the Company's business and operations. Although the Company has established and continues to enhance security controls intended to protect the Company's IT systems and infrastructure, there is no guarantee that such security measures will be effective in preventing unauthorized physical access or cyberattacks. A significant breach of the Company's IT systems could, among other things, cause disruptions in the Company's manufacturing operations (such as operational delays from production downtime, inability to manage the supply chain or produce product for customers, disruptions in inventory management), lead to the loss, destruction, corruption or inappropriate use of sensitive data, including employee information or intellectual property, result in lost revenues due to theft of funds or due to a disruption of activities, including remediation costs, or from litigation, fines and liability or higher insurance premiums, the costs of maintaining security and effective IT systems, which could negatively affect results of operations and the potential adverse impact of changing laws and regulations related to cybersecurity or result in theft of the Company's, its customers' or suppliers' intellectual property or confidential information. If any of the foregoing events (or other events related to cybersecurity) occurs, the Company may be subject to a number of consequences, including reputational damage, a diminished competitive advantage and negative impacts on future opportunities which could have a material adverse effect on the Company.

Share Price Fluctuations

The market price of securities of many companies, particularly development stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur. In particular, the fluctuations may be exaggerated if the trading volume of the Common Shares of the Company is low.

Cyclical Risks

A portion of the business of the Company is cyclical. It is dependent on, among other factors, general economic conditions globally. There can be no assurance that global markets in the Company's sector overall or specific applications will not decline in the future or that the Company will be able to utilize any existing unused capacity or any additional capacity it may add in the future. A continued or a substantial additional decline in the Company's market may have a material adverse effect on the Company's financial condition and results of operations and ability to meet existing financial covenants. Although the Company continues to diversify its business applications and customer reach, there is no assurance that it will be successful.

Uninsured Risks

The Company maintains insurance to cover normal business risks In the course of its manufacturing businesses, certain risks and, in particular, unexpected or unusual catastrophic events including explosions and fire although unlikely, may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Common Shares of the Company.

Foreign Exchange

The Company operates internationally and is exposed to foreign exchange risk mainly related to expenses and sales in currencies other than the respective functional currencies of the Company, primarily with respect to the US dollar. Management has set up a policy that requires the Company to manage its currency risk and imposes strict limits on the maximum exposures that can be entered into. The risk associated with sales denominated in US dollars is are partially offset by the raw material purchases denominated in US dollars.

Litigation

The Company has entered into legally binding agreements with various third parties, including supply, distribution, nondisclosure, consulting and partnership agreements. The interpretation of the rights and obligations that arise from such agreements is open to interpretation and the Company may disagree with the position taken by the various other parties resulting in a dispute that could potentially initiate litigation and cause the Company to incur legal costs in the future. Given the speculative and unpredictable nature of litigation, the outcome of any such disputes could have a material adverse effect on the Company's business.

Impact of Ukraine Russia War Escalating Risk

The Ukraine war caused an escalation of oil prices which impacted chemical industry margins. Together with the lock downs caused by Covid and certain trade restrictions and sanctions, supply chains were impacted, which caused inflation and consequently led to increasing interest rates and recession in some parts of the world. If there is an escalation of the war, this cycle can repeat itself which could affect the cost to produce the Company's products and demand for flame retardant plastics more generally.

Escalation of China Taiwan Conflict Risk

Like the impact that the invasion of the Ukraine had on global markets, a similar escalation of the conflict between Taiwan and China could similarly have the same impact on global markets and thus impact demand for the Company's products and the cost to produce its products. Should sanctions be imposed by the west on China for instance, this could effect the supply and demand for flame retardant plastics.

Credit Risk

Arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from customers. In order to reduce its credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. Seven customers represented approximately 99% of the outstanding accounts receivable balance as of December 31, 2022. Approximately 99% of sales were to 20 customers for the twelve months ended December 31, 2022.

An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. As at December 31, 2022, allowance was established for one customer (2021 - one customer) out of the trade account receivable.

Currency Risk

The risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. For each 1.00% change in the Euro exchange rate, based on the monetary assets and liabilities held at year end, the Company's net earnings would be impacted by approximately $125,032 (2021 - $92,080).

Interest Rate Risk

The risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is exposed to interest rate cash flow risk primarily through its floating interest credit facility as the required cash flow to service the debt will fluctuate interest rates change, and in particular the Euribor rate which is used by its European bankers. Fixed-interest instruments are subject to fair value risk. The Company's credit facilities bear variable rate interest. For each 0.25% change in rate, the Company's net earnings would be impact by $38,138 (2021 - $26,090).

Other Price Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Other Risk Factors

Additional risks not currently known to the Company or that the Company currently deems immaterial may also impair the Company's operations.