SCOPE CARBON CORP.

(Formerly Puffin Capital Ltd.)

Financial Statements
For the Years Ended September 30, 2023 and 2022
(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Scope Carbon Corp.**

Opinion

We have audited the financial statements of **Scope Carbon Corp.** (the "Company"), which comprise the statements of financial position as at September 30, 2023 and 2022, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significate doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in this report.

Fair value measurement of investment

As described in Note 7 to the financial statements, the Company has written down the investment in Farm Flight Inc. to $4 as at September 30, 2023 after completion of the impairment assessment.

The principal considerations for our determination that the assessment of impairment of the investment is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the investment, specifically relating to the investment's carrying amount which is impacted by the economic factors and the market value of Company's investment. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the investment.

Our audit procedures included, among others:

- Reviewed loan receivable agreements;
- Tested loan advances to the related bank statements; and
- Reviewed management impairment assessment.

Other information
Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Linda Zhu.

Mao & Ying LLP

Vancouver, Canada,
January 29, 2024

Chartered Professional Accountants

SCOPE CARBON CORP.
(Formerly Puffin Capital Ltd.)
Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	September 30, 2023	September 30, 2022
Assets			
Current			
Cash		50,572	193,995
Accounts and other receivables		41,165	20,795
Investments	**7**	4	1,001,638
Prepaid expenses		54,763	-
		146,504	1,216,428
Liabilities			
Current			
Accounts payable & accrued liabilities		231,164	129,708
Due to related parties	**8**	5,246	-
Other liabilities	**9**	122,000	-
		358,410	129,708
Shareholder's (Deficit) Equity			
Share capital	**10**	2,135,890	1,283,390
Reserves	**10**	1,226,658	172,410
Deficit		(3,574,454)	(369,080)
		(211,906)	1,086,720
		146,504	1,216,428

Approved and authorized on behalf of the Board of Directors on January 29, 2024

"*Darien Lattanzi*" Director "*Alan Tam*" Director

The accompanying notes are an integral part of these financial statements

SCOPE CARBON CORP.
(Formerly Puffin Capital Ltd.)
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		Years ended	
	Note	**September 30, 2023**	**September 30, 2022**
		$	**$**
Administration expenses			
Advertising and promotion		14,388	36,608
Bank charges		1,643	955
Consulting	**8**	46,500	35,000
Currency exchange		3,437	2,065
Filing and transfer agent fees		42,851	64,383
Investor relations		101,052	-
Office expenses	**8**	9,117	1,552
Professional fees		285,283	215,676
Research and development	**8,10,13**	902,645	8,746
Share-based compensation	**10**	1,054,248	-
Travel and entertainment		7,530	7,444
		(2,468,694)	(372,429)
Other items			
Change in fair value related to derivative asset	**7**	(3,541)	-
Finance charge	**7**	(4,839)	-
Gain on forgiveness of loans payable	**8**	-	1,726
Impairment of investments	**7**	(768,591)	-
Interest and other income	**7**	40,291	1,638
Net loss and comprehensive loss for the year		(3,205,374)	(369,065)
Basic and diluted net loss per share		(0.09)	(0.02)
Weighted average number of shares outstanding		37,410,960	17,529,590

The accompanying notes are an integral part of these financial statements

SCOPE CARBON CORP.
(Formerly Puffin Capital Ltd.)
Statements of Changes in Shareholders' Equity (Deficit)
(Expressed in Canadian Dollars)

	Share Capital	Share Capital	Reserves	Deficit	Total
	Number	**$**	**$**	**$**	**$**
Balance, September 30, 2021	1	1	-	(15)	(14)
Issued - private placement	26,500,000	645,500	-	-	645,500
Less: Issue costs - cash	-	(10,708)	-	-	(10,708)
Issued - IPO	10,500,000	1,050,000	-	-	1,050,000
Less: Issue costs - cash	-	(228,993)	-	-	(228,993)
Less: Issue costs - warrants	-	(172,410)	172,410	-	-
Net loss for the year	-	-	-	(369,065)	(369,065)
Balance, September 30, 2022	**37,000,001**	**1,283,390**	**172,410**	**(369,080)**	**1,086,720**
Issued - exercise of warrants	1,750,000	350,000	-	-	350,000
Issued - technology agreement	250,000	502,500	-	-	502,500
Share-based compensation	-	-	1,054,248	-	1,054,248
Net loss for the year	-	-	-	(3,205,374)	(3,205,374)
Balance, September 30, 2023	**39,000,001**	**2,135,890**	**1,226,658**	**(3,574,454)**	**(211,906)**

The accompanying notes are an integral part of these financial statements

SCOPE CARBON CORP.
(Formerly Puffin Capital Ltd.)
Statements of Cash Flows
(Expressed in Canadian Dollars)

	September 30, 2023	September 30, 2022
Operating Activities		
Net Loss	(3,205,374)	(369,065)
Items not involving cash		
Change in fair value related to derivative asset	3,541	-
Impairment of investments	768,591	
Fair value of shares issued	502,500	-
Finance charge	4,839	-
Gain on forgiveness of loan payable	-	(1,726)
Interest income	(17,585)	(1,638)
Share-based payments	1,054,248	-
Unrealized foreign exchange	(5,000)	-
	(894,240)	(372,429)
Changes in non-cash working capital		
Taxes and other receivables	(20,370)	(20,651)
Prepaids	(54,763)	10,000
Accounts payable and accrued liabilities	101,456	129,549
Due to related parties	5,246	-
	31,569	118,898
Cash used in Operating Activities	(862,671)	(253,531)
Investing Activities		
GIC (redemption) investment	1,000,000	(1,000,000)
Loans advanced	(752,752)	-
Cash provided by (used in) Investing Activities	247,248	(1,000,000)
Financing Activities		
Loan proceeds	50,000	17,414
Repayment of loan	-	(688)
Share subscriptions received	72,000	-
Shares issued for cash, net	350,000	1,430,799
Cash provided by Financing Activities	472,000	1,447,525
(Decrease) Increase in Cash	(143,423)	193,994
Cash, Beginning of Year	193,995	1
Cash, End of Year	50,572	193,995

Supplemental cash flow information (Note 14)

1. NATURE OF OPERATIONS AND GOING CONCERN

Scope Carbon Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on June 20, 2018 as "Puffin Capital Ltd.", and on February 11, 2022 the Company changed its name to "Scope Carbon Corp.". The Company has acquired and is continuing to develop AI analytical software and image recognition technology for use in analyzing data related to nature-based objects (e.g., forests, wetlands, and other areas) as it relates to carbon credit certification. The Company's current business plan is to enable large volumes of object-based data to be converted into digestible data that carbon credit experts and others can use to verify characteristics of trees, wetlands, and other areas. The Company completed an initial public offering in September 2022 and its common shares commenced trading on the Canadian Securities Exchange ("CSE") under the ticker symbol of "SCPE" on September 6, 2022.

The Company's registered and corporate head office is located at 1800-510 West Georgia Street, Vancouver, British Columbia, V6B 0M3.

These financial statements were prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As of September 30, 2023, the Company had a working capital deficit of $211,906 (2022 – working capital surplus of $1,086,720). The Company incurred a net loss of $3,205,374 for the year ended September 30, 2023 (2022 - $369,065) and had an accumulated deficit of $3,574,454 as of September 30, 2023 (2022 - $369,080).

As of September 30, 2023, the Company does not have sufficient capital to meet the requirements for its administrative overhead or maintaining its development programs. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. To finance future activities, the Company will be required to issue further share capital through private placements and the exercise of options and warrants or obtain debt. There can be no assurance that such financing will be available to the Company and, therefore, a material uncertainty exists which casts significant doubt over the Company's ability to continue as a going concern.

The economic uncertainties around persistent inflation pressure, geopolitical events and other global factors have the potential to slow growth in the global economy. Future developments in these challenging areas could impact on the Company's results and financial condition and the full extent of that impact remains unknown. However, as of September 30, 2023, the Company has not been significantly impacted by these matters.

These financial statements do not include the adjustments to assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") using historical cost, except for cash flow information and financial instruments measured at fair value.

The Company's functional and presentation currency is the Canadian dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Instruments

The category into which a financial asset is placed, and the resultant accounting treatment is largely dependent on the nature of the business of the entity holding the financial asset. All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs.

Financial assets

The Company initially recognizes financial assets on the trade date, which is the date that the Company becomes a party to the contractual provisions of the financial instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that are created or retained by the Company is recognized as a separate asset or liability.

All financial assets that do not meet the criteria to be recognized as subsequently measured at amortized cost or subsequently measured at fair value through other comprehensive income, either from the Business Model test or from the solely payments of principal and interest test, are classified as fair value through profit or loss.

Financial liabilities

The Company measures all its financial liabilities as subsequently measured at amortized cost. Financial liabilities are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Fair value

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Impairment of financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment because of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

(b) Share Capital

Proceeds from the issue of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds prorated to common shares and share purchase warrants. In the event of modification of warrants issued as part of private placement units, no re-measurement adjustment is recognized within equity.

(c) Share-based Payments

Share-based payments for employees are measured at fair value of the instruments issued on the date of grant and share-based payments for non-employees are measured at either the fair value of the goods or services received, or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded on the date the goods or services are received.

Consideration received on the exercise of stock options and other equity instruments is recorded as share capital and the related fair value previously recorded is transferred from share-based payment reserve to share capital. Upon expiry or cancellation, related fair value previously recorded is transferred from share-based payment reserve to deficit.

Restricted share units ("RSUs") are recorded at fair value based on the market value of the grant over the vesting period. When RSU's vest, the share-based payment expense associated with the RSU's included in reserves is credited to share capital.

(d) Related Party Transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties and is measured at the transaction amounts of the services rendered.

(e) Foreign Currency Translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect as at the reporting date.
(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
(iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the exchange rates in effect on the date of the transaction; and
(iv) Gains and losses arising from this translation of foreign currency are included in the determination of net loss.

(f) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the enactment date.

Deferred tax assets also result from unused tax losses carried forward, resource related tax pools, and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(g) Loss per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, warrants, and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options, warrants, and similar instruments that would be anti-dilutive.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that affect amounts reported in the financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and subject to measurement uncertainty. The effect on the financial statements of changes in such estimates in future reporting periods could be significant. Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the financial statements include:

Going concern

The assessment of the Company’s ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual development programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Derivative instruments held of privately-owned companies

Derivative instruments held of privately-owned companies which are not listed or traded upon a stock exchange are required to be measured at fair value upon recognition and at subsequent remeasurement. Determining fair values involves significant assumptions such as stock price, volatility, and dividend yield from comparative sources.

Impairment of investments

Following initial recognition, the Company carries the value of investments at cost less accumulated impairment losses. Significant judgment is required in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If information becomes available suggesting that the recovery of investments is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model at the date of grant and are expensed to net loss over each award's vesting period with the offset credit to share-based payment reserve. These models utilize subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Deferred taxes

The Company recognizes a deferred tax asset to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. In addition, changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

5. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, accounts receivable and investments, excluding derivative assets, which are classified as financial assets at amortized cost, and accounts payable and accrued liabilities and other liabilities, which are classified as financial liabilities at amortized cost. The carrying values of all these instruments approximate their fair values due to the short period to maturity. Derivate assets are remeasured to fair value at each reporting period when material.

The Company's financial instruments are exposed to certain financial risks, including interest rate risk, liquidity risk, currency risk, credit risk, and other price risk. The Company's exposure to these risks and its methods of managing the risks are summarized as follows:

(i) Interest Rate Risk

Interest rate risk is the risk that future cash flows or fair values will fluctuate as a result of changes in market interest rates.

The Company's exposure to interest rate risk relates to cash investments in a private company that accrue interest in US dollars at variable interest rates. From time-to-time the Company may deposit excess funds into cashable GIC term deposits at prevailing market rates.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations, anticipated investing, and financing activities and through management of its capital structure. As of September 30, 2023, all of the Company's financial liabilities are either due immediately or have contractual maturities of less than 90 days.

(iii) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk with respect to managing its cash and with respect to its cash investments in a private company. The Company's risk management policies require significant cash deposits, or any short-term investments be invested with Canadian chartered banks rated BBB or better. The Company has obtained security over the underlying assets of the private company for certain investments only. The maximum credit risk exposure is the carrying value of the cash investments.

(iv) 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. The Company is exposed to currency risk to the extent expenditures incurred, funds received, and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily US dollars).

The Company does not manage currency risks through hedging or other currency management tools. As of September 30, 2023, cash totaling $27,495 was held in US dollars; accounts receivable totaling $4,050 were receivable in US dollars; investments and accrued interest totaling $768,595 were held in US dollars and accounts payable and accrued liabilities totaling $59,587 were payable in US dollars.

Based on forecast exchange rate movements for the next twelve months, assuming all other variables remain constant, the Company considers its financial performance and cash flows would not be materially affected by a 5% weakening or strengthening of the US dollar.

(v) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to its non-cash investment in a private company. The maximum exposure to this risk is the carrying value of the non-cash investment.

6. CAPITAL MANAGEMENT

The Company's capital includes components of equity.

The Company's objectives in managing its capital are to maintain the ability to continue as a going concern and to continue its development programs for the benefit of its stakeholders. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place setting out the expenditures required to meet its strategic goals. The Company compares actual expenses to budget to manage costs, commitments, and development activities.

(Expressed in Canadian Dollars)

The Company's operations have been substantially funded by the issuance of equity instruments. The Company will continue to rely on such funding depending upon market and economic conditions at the time. The Company is not subject to any regulatory capital requirements. There have been no changes in the Company's approach to capital management during the year ended September 30, 2023.

7. INVESTMENTS

Investments as of September 30, 2023, were as follows:

		Farm Flight Inc.				
	GIC	Convertible Note	Warrants	Loan Agreement	Loan Facility	Total
	$	$	$	$	$	$
Balance as at September 30, 2021	-	-	-	-	-	-
Additions	1,000,000	-	-	-	-	1,000,000
Interest	1,638	-	-	-	-	1,638
Balance as at September 30, 2022	1,001,638	-	-	-	-	1,001,638
Additions	-	136,590	-	95,566	520,596	752,752
Fair value of warrants - recognition	-	(12,842)	12,842	-	-	-
Fair value of warrants - subsequent	-	-	(3,541)	-	-	(3,541)
Finance charge	-	-	-	(4,839)	-	(4,839)
Redemptions / interest received	(1,018,656)	-	-	-	-	(1,018,656)
Interest accretion	17,018	7,681	-	1,856	9,686	36,241
Foreign Exchange	-	(660)	(646)	(429)	6,735	5,000
Impairment	-	(130,768)	(8,654)	(92,153)	(537,016)	(768,591)
Balance as at September 30, 2023	-	1	1	1	1	4

Management considered the ability of Farm Flight Inc. ("Farm Flight") to repay each instrument above to be an indicator of impairment, leading to a test of recoverable amount. Management does not expect imminent cash flows from these instruments. In estimating the fair value less costs of disposal, management did not have observable or unobservable inputs to estimate the recoverable amount greater than $1 per instrument, and therefore recorded an impairment provision in accordance with Level 3 of the fair value hierarchy in an amount of $768,591 (2022 - $nil).

<u>GIC</u>

On September 7, 2022, the Company purchased a Prime-Linked Cashable GIC, issued by the Royal Bank of Canada for $1,000,000 with a maturity date of September 7, 2023.

Farm Flight Inc.

Convertible Note

On February 27, 2023 the Company purchased an unsecured convertible note (the "Note") of Farm Flight for US$100,000 with interest accruing at a rate of 8% per annum, payable three years from the date of issuance, unless sooner prepaid or converted. The outstanding principal and accrued interest on the Note will be automatically converted in an offering of a new class or series of Farm Flight's preferred stock having proceeds to Farm Flight of at least US$4,000,000, including conversion of all Notes and other indebtedness, at a conversion price equal to 80% of the purchase price of the securities sold.

The note balance has been recorded at amortized cost at an effective interest rate of 10.35%. For the year ended September 30, 2023, $7,681 (2022 - $nil) of loan discount was amortized using the effective interest rate method.

The Note is also coupled with share purchase warrants entitling the Company to purchase 9,345 common shares of Farm Flight at a price of USD $1.07 per common share. On initial recognition, the fair value of the warrants was determined as US$0.96 per warrant using the Black-Scholes model with the following assumptions: (i) risk free rate - 4.51%; (ii) expected life - 3 years; (iii) expected volatility - 184.63%; and (iv) expected forfeiture and dividends - nil. On subsequent remeasurement the fair value of the warrants was determined as US$0.68 per warrant using the Black-Scholes model with the following assumptions: (i) risk free rate - 4.64%; (ii) expected life - 3 years; (iii) expected volatility – 122.00%; and (iv) expected forfeiture and dividends – nil.

Loan Agreement

On April 27, 2023 the Company entered into a further loan agreement (the "Loan Agreement") with Farm Flight for the principal amount of USD $70,000 (the "Loan"), as evidenced by an unsecured promissory note. The Loan bears no interest and is repayable in full on the date that is one year following the advance. In conjunction with the Loan Agreement the Company entered into an equipment lease with Farm Flight whereby Farm Flight will lease certain computer equipment from the Company for a period of one year at a rate of US$50 per day.

The note balance has been recorded at amortized cost at an effective interest rate of 4.81%. For the year ended September 30, 2023, $1,856 (2022 - $nil) of loan discount was amortized using the effective interest rate method.

Loan Facility

On May 24, 2023 Company entered into a secured loan facility with Farm Flight to provide loans to Farm Flight up to USD $330,000 or such other amount as the Company and Farm Flight may agree in writing from time to time (the "Facility Agreement"). The incremental borrowing rate for the Facility is determined by the United States prime rate plus 1.5%. The Loan is repayable upon provision to Farm Flight of 75 days written notice. As at September 30, 2023, the Company advanced total USD388,000 to Farm Flight pursuant to the Facility Agreement (Note 16).

8. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere, the Company entered the following related party transactions:

(Expressed in Canadian Dollars)

Fees in the amount of $24,000 (2022 – $18,000) were charged by an officer of the Company for consulting services. Accounts payable as of September 30, 2023, were $nil (2022 - $nil).

Pursuant to a month-to-month sub-lease agreement, amounts of $4,996 (2022 – $nil) were charged by a company with a common director of the Company for office space rental. Accounts payable as of September 30, 2023, were $5,246 (2022 - $nil).

During the year ended September 30, 2022, the Company received a non-interest-bearing advance of $2,414 from a director of the Company. The Company repaid part of the advance for $688 and the remaining balance of $1,726 was forgiven.

A director of the Company is also the trustee to the Prescott Family Foundation (the "Foundation"), the counterparty to the Technology Acquisition Agreement (Notes 10 and 13).

With the exception of the Technology Acquisition Agreement, these transactions were in the normal course of operations and were measured at the fair value of the services rendered. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee or post-employment benefits. A summary of compensation awarded to key management was as follows:

		2023		**2022**
Short-term benefits	$	24,000	$	18,000
Share-based payments		773,088		-
Total	$	797,088	$	18,000

9. OTHER LIABILITIES

Included within other liabilities are $50,000 with respect to funds received from a consultant for an interest-free short-term loan. On October 13, 2023, the Company received an additional interest-free short-term loan of $25,000. On November 2, 2023, the Company repaid $75,000, being the total loan amount outstanding.

Included within other liabilities are $72,000 with respect to partial funds received relative to future exercise of common share purchase warrants (Note 16).

10. SHARE CAPITAL

Authorized

An unlimited number of common shares without par value, without special rights or restrictions attached.

An unlimited number of preferred shares without par value, with special rights or restrictions attached.

Issued share capital

As of September 30, 2023, there were 39,000,001 (2022 – 37,000,001) issued and fully paid common shares.

(Expressed in Canadian Dollars)

a) Financings

On January 31, 2022, the Company closed a non-brokered private placement for the issuance of 4,500,000 common shares at a price of $0.005 per share for aggregate gross proceeds of $22,500.

On February 11, 2022, the Company closed a non-brokered private placement for the issuance of 15,900,000 units at a price of $0.02 per unit for aggregate gross proceeds of $318,000. Each unit comprised one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.20 per share for a period of two years, expiring February 11, 2024. The Company allocated all proceeds to share capital using the residual value approach.

On February 28, 2022, the Company closed a non-brokered private placement for the issuance 6,100,000 common shares at a price of $0.05 per share for aggregate gross proceeds of $305,000.

On September 2, 2022, the Company completed its initial public offering of 10,500,000 common shares at a price of $0.10 per share for aggregate gross proceeds of $1,050,000. An agent (the "Agent") received a cash commission of $105,000 and an aggregate of 1,050,000 warrants (the "Agent Warrants") entitling the Agent and members of tis selling group to purchase 1,050,000 common shares of the Company at an exercise price of $0.10 per share for a period of two years, expiring September 2, 2024. The fair value of the Agent Warrants was $172,410 estimated using the Black-Scholes options pricing model with the following assumptions: (i) grant date share price - $0.10 per share; (ii) risk-free interest rate - 3.55%; (iii) expected life - 2 years; (iv) expected volatility - 281%; forfeiture rate of nil; and (v) expected dividends - $nil. Volatility was estimated by using the common share's historical trading price of other companies in the same industry during the similar period. The Agent also received a corporate finance fee of $35,000 plus applicable taxes.

b) Other

On May 24, 2023, the Company issued 250,000 common shares pursuant to the Technology Acquisition Agreement (Note 13) with a fair value of $2.01 per common share based on the Company's stock trading price at the date of issuance for a total fair value of $502,500.

c) Share Purchase Warrants

Share purchase warrants issued, exercised and outstanding were as follows:

	Number of warrants	Weighted average exercise price ($)	Weighted average remaining life (years)
Balance - September 30, 2021	-	-	-
Issued	9,000,000	-	-
Balance - September 30, 2022	9,000,000	0.19	1.44
Exercised	(1,750,000)	0.20	-
Balance - September 30, 2023	7,250,000	0.19	0.45

(Expressed in Canadian Dollars)

Expiry date	Exercise price $	Number of warrants outstanding
February 11, 2024	0.20	6,200,000
September 2, 2024	0.10	1,050,000
		7,250,000

d) Stock Options

The Company established a stock option plan (the "Plan") whereby it provides for a fixed number of Common Shares to be reversed and available to be granted. The Board may at any time authorize the granting of stock options to such participants as it may select for the number of shares that it will designate, subject to the provisions of the stock option plan. The date and number of options granted is approved by the Board and the number of shares that may be issued under this plan are to not exceed 10% of the outstanding issue from time to time. The exercise per share of any option may not be less than one hundred percent (100% of the Fair Market Value).

On October 3, 2022, the Company granted 1,500,000 options to directors and consultants at an exercise price of $0.60 per common share expiring on October 3, 2027. The options vest one-third immediately, one-third six months from grant date and remainder twelve months from grant date. The fair value of the options granted was $0.705 per option using the Black-Scholes model with the following assumptions: (i) grant date share price - $0.80 per share; (ii) risk free rate – 3.23%; (iii) expected life - 5 years; (iv) expected volatility – 128.68%; and (v) expected forfeiture and dividends – nil. Volatility was estimated by using the common share's historical trading price of other companies in the same industry during the similar period.

Stock options granted and outstanding were as follows:

	Number of options	Weighted average exercise price ($)	Weighted average remaining life (years)
Balance - September 30, 2021 & 2022	-	-	-
Granted	1,500,000	0.60	-
Balance - September 30, 2023	1,500,000	0.60	4.01
Unvested	(500,000)	0.60	4.01
Exercisable - September 30, 2023	1,000,000	0.60	4.01

Expiry date	Exercise price ($)	Remaining life (years)	Options Outstanding	Unvested	Exercisable
October 3, 2027	0.60	4.01	1,500,000	500,000	1,000,000

11. SEGMENTED INFORMATION

The Company's operations are in one reportable segment, being the acquisition and development of AI analytical software related to nature-based objects. Currently, the operations are all based in Canada.

12. MARSMAN AGREEMENT

On October 1, 2022, the Company entered into a product development agreement with Marsman Limited for the development of the Scope Analysis Platform. The product development agreement had a term of twelve months, renewing annually unless a written notice a termination has been delivered to the counterparty at least thirty (30) days prior to the expiration of the term. On November 15, 2023, the Company terminated the agreement.

13. TECHNOLOGY ACQUSITION AGREEMENT

On February 15, 2022, the Company entered in a technology acquisition agreement (the "Technology Acquisition Agreement") with the Foundation for the exclusive right of use to the Foundation's image recognition technology. A director of the Company is also the trustee to the Foundation.

In consideration for the rights granted, the Company shall issue:

- 250,000 common shares on the latter of completion of expenditures of $250,000 or February 15, 2023 (issued on May 24, 2023 for a total fair value of $502,500, this amount is included in the research and development cost in the Company's statement of loss. (Note 10(b)).
- An additional 250,000 common shares on the latter of completion of expenditures of $600,000 or February 15, 2024.
- An additional 250,000 common shares on the latter of the Company generating revenue of $250,000 or February 15, 2025.
- An additional 250,000 common shares on the latter of the Company generating revenue of $500,000 or February 15, 2026.

(Together, the "Consideration Shares")

The Company has the option to accelerate the Technology Acquisition Agreement by providing to the Foundation notice of two business days and to issue all the Consideration Shares to the Foundation. Pursuant to the same agreement, the Company may terminate the Technology Acquisition Agreement at any time without cause, and without incurring any additional obligation, liabilities, or penalty, by providing at least 30 days' prior written notice to the Foundation.

(Expressed in Canadian Dollars)

14. SUPPLEMENTAL CASH FLOW INFORMATION

	September 30, 2023	September 30, 2022
	$	$
Cash:		
Interest received	18,656	-
Non-Cash:		
Change in fair value related to derivative asset	3,541	-
Fair value of shares issued for settlement of loan payable	-	25,000
Fair value of shares issued for Technology Agreement	502,500	-
Finance charge	4,839	-
Gain on forgiveness of loan payable	-	1,726
Impairment of investments	768,591	-
Interest Income	17,585	1,638
Issue costs - warrants	-	172,410
Share-based compensation	1,054,248	-

15. INCOME TAX

A reconciliation of the income tax charge computed at statutory rates to the reported loss before taxes is as follows:

	September 30 2023	September 30 2022
Statutory tax rate	27%	27%
	$	$
Income tax benefit at statutory rate	865,451	99,648
Permanent differences	(625,356)	-
Temporary differences	12,944	12,943
Change in timing differences	192,772	-
Unused tax losses and tax offsets not recognized	(445,811)	(112,591)
	-	-

(Expressed in Canadian Dollars)

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	September 30 2023	September 30 2022
	$	$
Non-capital losses	1,357,994	417,005
Investments	758,103	-
Share issue costs	143,821	191,761
	2,259,918	**608,766**

The Company has Canadian unrecognized non-capital losses that expire as follows:

	September 30 2023
	$
2041	3,809
2042	417,005
2043	937,180
	1,357,994

16. SUBSEQUENT EVENTS

Other than disclosed elsewhere, the following occurred subsequent to September 30, 2023:

On October 16, 2023, the Company entered into a consulting agreement and granted 1,000,000 RSUs. The RSU's vest as follows: 10% upon grant; 30% after six months; 30% after one year and the remaining 30% after eighteen months. Each vested RSU is redeemable for one common share of the Company at the time of vesting.

On October 30, 2023, the Company closed a non-brokered private placement for the issuance of 1,250,000 units at a price of $1.60 per unit for aggregate gross proceeds of $2,000,000. Each unit comprised one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $2.25 per share for a period of two years.

On December 7, 2023, a total of 140,000 common share purchase warrants exercisable at $0.20 per share were exercised for gross proceeds of $28,000 ($22,000 received during the year ended September 30, 2023 (Note 9) and $6,000 received subsequent to the year end September 30, 2023).

Subsequent to September 30, 2023, a total of US$504,000 was advanced to Farm Flight under the Facility Agreement (Note 7).