Mary Agrotechnologies Inc.

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended June 30, 2021 and 2020

(Unaudited)

Mary Agrotechnologies Inc.

Three and Nine months ended June 30, 2021 and 2020

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NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Mary Agrotechnologies Inc. for the interim period ending June 30, 2021 have been prepared by management in accordance with International Financial Reporting Standards and approved by the Audit Committee and Board of Directors of the Company. These unaudited condensed interim consolidated financial statements have not been reviewed by the Company's independent auditor.

Mary Agrotechnologies Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited – Expressed in Canadian Dollars)

	June 30, 2021	September 30, 2020
	$	$
ASSETS		
Current Assets		
Cash and cash equivalent	2,220,814	144,731
Prepaid expenses and deposits	134,708	6,390
Inventory (note 5)	150,437	71,336
Accounts receivable	36,354	34,034
	2,542,313	256,491
Non-current Assets		
Property and equipment (note 6)	271,095	299,482
TOTAL ASSETS	2,813,408	555,973
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	111,657	86,428
Customers advances	44,183	63,660
Due to a related party (note 7)	-	68,897
Current portion of lease obligation (note 8)	56,711	52,061
	212,551	271,046
Non-Current Liability		
Non-current portion of lease obligation (note 8)	63,419	106,373
Bank loans (note 9)	60,000	40,000
TOTAL LIABILITIES	335,970	417,419
SHAREHOLDERS' EQUITY		
Share capital (note 10)	5,345,412	2,328,694
Contributed surplus	427,857	149,003
Deficit	(3,295,831)	(2,339,143)
TOTAL SHAREHOLDERS' EQUITY	2,477,438	138,554
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,813,408	555,973

Nature of operations (note 1)

Approved on behalf of the Board

"Chuhan Qin"
Chuhan Qin, Director

"Ying Xu"
Ying Xu, Director

The accompanying notes are an integral part of these interim consolidated financial statements.

Mary Agrotechnologies Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

	Three months ended June 30,		Nine months ended June 30,	
	2021	**2020**	**2021**	**2020**
	$	$	$	$
Revenue	6,802	-	58,402	-
Cost of revenue	(12,590)	-	(82,222)	-
	(5,788)	-	(23,820)	-
Professional fees	23,020	7,158	80,022	234,210
Amortization (note 6)	19,151	7,651	55,630	22,953
Accretion (note 8)	2,577	1,068	8,496	3,529
Marketing and advertising	24,644	2,448	45,878	25,634
Office and administrative	82,703	11,781	130,846	38,341
Research and development (note 11)	23,160	369,886	58,226	572,949
Share-based compensation (note 7,10)	70,068	14,953	278,854	42,621
Travel and entertainment	4,337	3,393	21,438	35,492
Wages and salaries (note 7)	155,558	116,456	511,392	307,944
	405,218	534,794	1,190,782	1,283,673
LOSS BEFORE OTHER ITEMS	(411,006)	(534,794)	(1,214,602)	(1,283,673)
OTHER ITEMS				
Foreign exchange gain (loss)	-	29,674	(12,893)	37,282
Interest income	474	-	845	-
Other income (expenses)(note 12)	161,287	-	269,962	(4,800)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(249,245)	(505,120)	(956,688)	(1,251,191)
Loss per Share				
Basic and diluted	(0.01)	(0.01)	(0.02)	(0.04)
Weighted Average Number of Common Shares Outstanding				
Basic and diluted	42,963,089	35,921,512	39,945,179	28,313,443

The accompanying notes are an integral part of these interim consolidated financial statements.

Mary Agrotechnologies Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian Dollars)

	Number of common shares	Number of shares to be issued	Share capital	Contributed surplus	Deficit	Total shareholders' equity
			$	$	$	$
Balance, September 30, 2019	**22,500,000**	**699,180**	**8**	**73,620**	**(923,102)**	**(849,474)**
Seed share subscribed at nominal amount	699,180	(699,180)	-	-	-	-
Share issued from private placement	3,800,900		950,225	-	-	950,225
Share issued for KISS note conversion	7,882,531	-	1,035,000	-	-	1,035,000
Share issued for professional services	893,846	-	223,461			223,461
Earned out shares issued	480,000		120,000	(49,973)	-	70,027
Share-based compensation	-	-	-	42,621	-	42,621
Net loss for the period	-	-	-	-	(1,251,191)	(1,251,191)
Balance, June 30, 2020	**36,256,457**	**-**	**2,328,694**	**66,268**	**(2,174,293)**	**220,669**
Balance, September 30, 2020	**36,256,457**	**-**	**2,328,694**	**149,003**	**(2,339,143)**	**138,554**
Share issued from private placement	6,871,467	-	3,099,408	-	-	3,099,408
Share issuance costs	-	-	(82,690)	-	-	(82,690)
Share-based compensation	-	-	-	278,854	-	278,854
Net loss for the period	-	-	-	-	(956,688)	(956,688)
Balance, June 30, 2021	**43,127,924**	**-**	**5,345,412**	**427,857**	**(3,295,831)**	**2,477,438**

The accompanying notes are an integral part of these interim consolidated financial statements.

Mary Agrotechnologies Inc.
Condensed Interim Consolidated Statements of Cash Flow
(Unaudited - Expressed in Canadian Dollars)

	Nine months ended June 30,	
	2021	**2020**
	$	$
Cash provided by (used in) operating activities:		
Net loss for the period	(956,688)	(1,251,191)
Items not involving cash:		
Accretion	8,496	3,529
Share-based compensation	278,854	42,621
Earned out shares	-	70,027
Shares issued for professional services	-	223,462
Amortization	55,630	22,953
Changes in non-cash working capital:		
Inventory	(79,101)	(29,027)
Accounts receivable	(2,320)	(8,137)
Accounts payable and accrued liabilities	25,229	(1,605)
Customer advances	(19,477)	(36,625)
Prepaid expenses	(128,318)	(109,052)
Amount (due to) from a related party	(68,897)	681
Net cash used in operating activities	(886,592)	(1,072,364)
Cash provided by (used in) investing activities		
Purchase of property and equipment	(27,243)	-
Net cash used in investing activities	(27,243)	-
Cash provided by (used in) financing activities		
Lease payments	(46,800)	(19,888)
Proceeds from private placements	3,099,408	950,225
Share issuance costs	(82,690)	-
Proceeds from bank loan	20,000	40,000
Net cash provided by financing activities	2,989,918	970,337
Increase in cash and cash equivalents	2,076,083	(102,027)
Cash and cash equivalent, beginning of period	144,731	261,049
Cash and cash equivalent, end of period	2,220,814	159,022

The accompanying notes are an integral part of these interim consolidated financial statements.

1. NATURE OF OPEARTIONS

Mary Agrotechnologies Inc. ("Mary AG" or "the Company") was incorporated under the laws of the Province of Ontario by articles of incorporation on October 12, 2017. The primary business activity of the Company is to produce the fully-automated plant growing device managed and controlled by an artificial intelligent algorithm, allowing consumers to grow their own herbs and vegetables effortlessly from seed to plant, while providing optimal conditions to assure premium quality produce year-round. The Company's head office is located at 115 Apple Creek Boulevard, Unit 3&4, Markham, Ontario, L3R 6C9. The Company's registered and records office address is 25 White Oak Crescent, Richmond Hill, Ontario, L4B 3R7.

The Company operates mainly in the fields of development and distribution of home growing automated machines and commercial containers for variety of herbs and vegetables worldwide. The Company also plans, established and will operate container farms.

2. BASIS OF PRESENTAITON

a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with international Accounting Standard 34 Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed interim consolidated financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited financial statements for the year ended September 30, 2020. These condensed interim consolidated financial statements do not include all the disclosures required for the annual audited financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended September 30, 2020. The Company's interim results are not necessarily indicative of its results for a full year.

These condensed interim consolidated financial statements are authorized for issue by the Board of Directors on August 18, 2021.

b) Novel Coronavirus (COVID-19)

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

The extent to which the Company's operating and financial results are affected by COVID-19 will depend on various factors and consequences beyond its control such as the duration and scope of the pandemic; additional actions taken by business and government in response to the pandemic and the speed and effectiveness of response to combat the virus.

c) Basis of preparation

These condensed interim consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments measured at fair value. These condensed consolidation interim financial statements have prepared using the accrual basis of accounting, except for cash flow information.

d) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (its "subsidiaries"). The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany balances and transactions are eliminated on consolidation. Control is based on whether an investor has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of return.

As of June 30, 2021, the following entities are controlled by the Company. These entities have no material transactions for the period from the inception to June 30, 2021.

Entity	Location	Ownership	Basis of accounting
Mary Agrotechnologies Hong Kong Limited ("Mary HK")	China	100%	Consolidated
Yunnan Moquan Agrotechnologies Limited ("Yunnan Moquan")	China	75% (1)	Consolidated

(1) Owned through Mary HK.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited financial statements for the year ended September 30, 2020.

a) New standards adopted in the reporting period

No new and revised accounting standard was adopted by the Company for annual periods beginning on October 1, 2020.

b) Accounting standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the nine months ended June 30, 2021 and have not been applied in preparing these consolidated financial statements. None of these pronouncements are expected to have material impact on the Company's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting year. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future years if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

<u>Significant accounting estimates</u>

- Estimated useful life of property, plant and equipment – Depreciation of property and equipment is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

- Stock based compensation - In estimating fair value of options using the Black-Scholes option pricing model, management is required to make certain assumptions such as the expected life of options, volatility of the Company's future share price, risk free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results. In order to estimate volatility, the Company uses companies with similar characteristics that have prices quoted on an active exchange.

(Unaudited - Expressed in Canadian Dollars)

Significant accounting judgments

- The Company has projected 2021 cash flows that are sufficient to cover its ongoing operating expenditures, meet its liabilities for the ensuing year. The future cash flows projection involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In addition, the Company's business could be significantly adversely affected by the effects of the recent outbreak of COVID-19.

- Determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts and therefore do not necessarily provide certainty as to their recorded values.

- Research and development expenditures - The application of the Company's accounting policy for research and development expenditures requires judgment in determining whether it is likely that the 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.

5. INVENTORY

As at June 30, 2021, the Company has inventories valued at $150,437 (September 30, 2020 - $71,336). There was a $2,378 write-down of inventories recognized in the cost of revenue for the three and nine months ended June 30, 2021 (2020 -$nil). There was no reversal of write-down of inventories for the three and nine months ended June 30, 2021 (2020 -$nil)

	June 30, 2021	September 30, 2020
	$	$
Raw materials and work-in-progress	96,403	-
Finished products in transit	51,535	-
Finished products	2,499	71,336
	150,437	71,336

(Unaudited - Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT, NET

	Computer and peripheral equipment	Office furniture and equipment	Mold & production Equipment	Right-of-use asset	Total
	$	$	$	$	$
COST					
Balance, September 30, 2019	5,020	2,287	44,193	72,900	124,400
Additions	2,988	-	103,462	170,701	277,151
Disposals	-	-	-	(72,900)	(72,900)
Balance, September 30, 2020	8,008	2,287	147,655	170,701	328,651
Additions	4,345	-	22,898	-	27,243
Balance, June 30, 2021	12,353	2,287	170,553	170,701	355,894
ACCUMULATED AMORTIZATION					
Balance, September 30, 2019	3,313	299	4,420	8,099	16,131
Additions	1,656	229	5,029	32,450	39,364
Disposals	-	-	-	(26,326)	(26,326)
Balance, September 30, 2020	4,969	528	9,449	14,223	29,169
Additions	1,252	172	11,529	42,677	55,630
Balance, June 30, 2021	6,221	700	20,978	56,900	84,799
CARRYING VALUE					
Balance, September 30, 2020	**3,039**	**1,759**	**138,206**	**156,478**	**299,482**
Balance, June 30, 2021	**6,132**	**1,587**	**149,575**	**113,801**	**271,095**

7. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of business and have been valued at the exchange amount of the services performed or consideration paid. Related party transactions not presented elsewhere are presented below.

a) As at June 30, 2021, due to a related party was nil (September 30, 2020 was $68,897 to the Chief Executive Officer ("CEO") of the Company for the reimbursement expenses incurred on behalf of the Company.)

Transactions with key management personnel:

Key management personnel include those persons having the authority and responsibility of planning, directing, and executing the activities of the Company. The Company has determined that its key management personnel consist of all executive officers and directors of the Company.

The compensation paid or payable to key management personnel during the three and nine months ended June 30, 2021 and 2020 were as follows:

(Unaudited - Expressed in Canadian Dollars)

	Three months ended June 30, 2021	2020	Nine months ended June 30, 2021	2020
	$	$	$	$
Salaries and short-term employee benefits	53,000	39,907	197,200	107,773
Share-based compensation	16,177	16,925	60,412	33,398
	69,177	56,832	257,612	141,171

8. LEASE OBLIGATION

A summary of the lease obligations is listed below.

	June 30, 2021	September 30, 2020
	$	$
Balance, beginning of the period	158,434	65,975
Derecognized liabilities	-	(49,704)
Additional liabilities	-	170,701
Accretion	8,496	6,862
Lease payments	(46,800)	(35,400)
Balance, end of the period	120,130	158,434
Current portion of lease obligation	56,711	52,061
Non-current portion of lease obligation	63,419	106,373

The following table presents a reconciliation of the Company's undiscounted cash flows to the present value for its lease payable.

	June 30, 2021	September 30, 2020
	$	$
Within 1 year	64,272	62,868
Between 1 – 3 years	66,200	114,404
Total undiscounted amount	130,472	177,272
Less: accretion	(10,343)	(18,838)
Total discounted amount	120,130	158,434

9. BANK LOAN

On April 9, 2020, the Government of Canada launched Canada Emergency Business Account ("CEBA") program as one of the COVID 19 relief measures. The program provides interest-free loans of up to $40,000 to support small businesses and non-for-profits across Canada. On December 4, 2020, the CEBA was expanded for additional $20,000. The Company borrowed $40,000 on April 17, 2020 and $20,000 on December 15, 2020, in a total of $60,000 loan from

Bank of Montreal. The loan bears zero interest prior to December 31, 2022. $20,000 of the loan will be forgiven if $40,000 is repaid in full on or before December 31, 2022. After December 31, 2022, any remaining balance will be converted to a 3-year term loan at 5% fixed interest rate per annum with monthly interest-only payments. The outstanding balance must be repaid in full by December 31, 2025.

10. SHARE CAPITAL

a) Authorized Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

b) Issued Share Capital

During the nine months ended June 30, 2021, the Company had the following capital transactions:

- In November 2020, the Company completed an equity financing by issuing 1,666,667 common shares at a price of $0.36 per share for total gross proceeds of $600,000.
- In November 2020, the Company completed an equity financing by issuing 2,574,800 common shares at a price of $0.46 per share for total gross proceeds of $1,184,408.
- On May 20, 2021, the Company completed a private placement of 2,630,000 common shares at $0.50 per share for aggregate gross proceeds of $1,315,000. A finders' fee of 8% in the amount of $72,000 was paid by the Company in conjunction with the completion of the private placement.

During the nine months ended June 30, 2020, the Company had the following capital transactions:

- The Company issued 699,180 common shares on February 29, 2020 for seed shares subscribed on June 10, 2019 and September 29, 2018 for nominal value.
- The Company issued 2,600,900 common shares pursuant to a private placement at $0.25 per share for gross proceeds of $650,225.
- The Company issued 7,882,531 common shares in February 2020 pursuant to the conversion of all Keep It Simple Security ("KISS") .
- The Company issued 893,846 common shares in February 2020 for professional services received . These shares were valued at a price of $0.25 per share.

(Unaudited - Expressed in Canadian Dollars)

- The Company issued 480,000 common shares in May 2020 pursuant to the Common Share Earned-out Agreement entered with an employee on May 1, 2019. These shares were valued at a price of $0.25 per share.

c) Stock Options

Pursuant to the Company's stock option plan, the aggregate number of common shares that may be reserved for issuance pursuant to options shall not exceed 10% of the outstanding common shares at the time of the granting of an option, less the aggregate number of common shares then reserved for issuance pursuant to any other share compensation arrangement. The exercise price per common share for an option granted shall not be less than the market price. Every option shall have a term not exceeding and shall expire no later than 10 years after the date of grant. The terms of the granted stock options as well as the vesting conditions are at the sole discretion of the directors.

The following table summarizes the continuity of the Company's stock options:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual life (years)
		$	
Outstanding, September 30, 2019	330,000	0.01	4.47
Granted	1,720,000	0.25	9.82
Granted	70,000	0.46	9.82
Outstanding, September 30, 2020	2,120,000	0.22	8.83
Outstanding, June 30, 2021	2,120,000	0.22	8.08
Exercisable, June 30, 2021	557,500	0.21	7.82

The following table summarizes the information of outstanding and exercisable share options as of June 30, 2021.

Grant Date	Expiry Date	Exercise Price	Number of Options	Exercisable
March 20, 2020	March 20, 2024	$ 0.01	330,000	110,000
July 24, 2020	July 23, 2030	$0.25	1,720,000	430,000
July 24, 2020	July 23, 2030	$0.46	70,000	17,500
			2,120,000	557,500

No stock options were granted during the three and nine months ended June 30, 2021 and 2020.

d) Earned-out shares

On November 28, 2019, the Company entered into a Common Share Earned-out Agreement with an employee. Based on the terms of Agreement, the employee will receive 250,500 common shares at a nominal value after four years of services. These shares were valued at $0.25 per shares. The value of shares is amortized over the period of four years.

(Unaudited - Expressed in Canadian Dollars)

e) Share-based compensation

During the three and nine months ended June 30, 2021, the Company recognized share-based compensation of $70,068 and $278,854 respectively for stock options and earned-out shares (2020 - $14,953 and $42,621).

11. RESEARCH AND DEVELOPMENT EXPENSES

The Company incurs costs related to its research and development activities. To date, all of the costs relating to the Company's projects under development have been expensed as incurred.

12. OTHER INCOME (EXPENSES)

	Three months ended June 30, 2021	Three months ended June 30, 2020	Nine months ended June 30, 2021	Nine months ended June 30, 2020
	$	$	$	$
Government grants	161,287	-	269,959	-
Others	-	-	3	(4,800)
	161,287	-	269,962	(4,800)

Government grants mainly consist of grants received under the refundable scientific research and experimental development tax credits ("SR&ED") and Industrial Research Assistance Program ("IRAP").

13. FINANCIAL INSTRUMENTS

The carrying amount of financial assets and liabilities which approximate fair value are shown in the statement of financial position, are as follows:

	June 30, 2021 Carrying Amount	September 30, 2020 Carrying Amount
	$	$
Assets carried at amortized cost		
Cash and cash equivalent	2,220,814	144,731
	2,220,814	144,731
Liabilities carried at amortized cost		
Accounts payable and accrued liabilities	111,657	86,428
Lease obligation	120,130	158,434
Bank loans	60,000	40,000
Due to a related party	-	68,897
	291,787	353,759

The fair values of cash and cash equivalent, accounts payable and accrued liabilities (excluding taxes payable), bank loans and due to a related party approximated carrying values as at the reporting date due to the short-term maturities of these instruments. For lease obligation, fair value approximates their carrying value at the reporting date as the interest rates used to discount the host contracts approximate market rates.

14. RISK MANAGEMENT

The Company manages risk through establishing policies that provide management oversight related to the risks of operations, including ensuring that risks are identified and assessed, and that appropriate and effective policies are in place. Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, market risk is segregated into three categories: other market risk, interest rate risk and currency risk. Other risks associated with financial instruments include credit risk and liquidity risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of these financial instruments.

The Company minimized credit risk associated with its cash balance substantially by dealing with a major financial institution that has been accorded a strong investment grade rating by a primary rating agency.

Other than cash, there are no other significant concentrations of credit risk within the Company.

Interest rate risk

Interest rate risk is the risk that fair value of the Company's interest-bearing investments will fluctuate due to changes in market interest rates.

As at June 30, 2021 and 2020, the Company did not have a significant exposure to interest rate risk, given that the Company's financial instruments are non-interest bearing.

Liquidity risk

Liquidity risk is the risk that the Company may not have sufficient liquid assets to meet its commitments associated with these liabilities. The Company retains sufficient cash to maintain liquidity.

Currency risk

Currency risk is the risk that the value of financial assets denominated in currencies, other than the functional currency of the Company, will fluctuate due to changes in foreign currency exchange rates.

All financial instruments are denominated in Canadian dollars, the functional currency of the parent Company. Therefore, the Company is not significantly exposed to currency risk as at June 30, 2021 and 2020.

15. CAPITAL MANAGEMENT

The Company requires capital to fund existing and future operations and to meet regulatory capital requirements. The Company's policy is to maintain sufficient and appropriate levels of capital.

The Company's source of capital is mainly from equity financing. The Company does not presently utilize any quantitative measures to monitor its capital. The Company currently is not subject to externally imposed capital requirements. The capital management framework followed by the Company is designed to maintain the level of capital that will:

(i) Meet the Company's regulatory requirements
(ii) Fund current and future operations
(iii) Ensure that the Company is able to meet its financial obligations as they come due

As at June 30, 2021, the Company had an excess working capital of $2,329,762 and has long term portion of lease obligation of $63,419 and bank loan of $60,000.

16. OPERATING SEGMENT

Operating segments are defined as components of an enterprise that is a profit center, for which separate financial information is available and which are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

For the six months ended June 30, 2021 and 2020, the Company only has one operating segment in accordance with IFRS 8 Operating Segments.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period presentation. These reclassifications have not had an impact on results of operations for the period.

18. SUBSEQUENT EVENTS

(a) On July 25, 2021, 1,050,000 stock options were granted to directors to purchase up to an aggregate of 1,050,000 common shares of the Company. The stock options vest after one year and are exercisable for a period of 10 years at a price of $0.415 per common share.

(b) Subsequent to the quarter ended June 30, 2021, the Company signed a memorandum of understanding ("MOU") to form a partnership with CBDer Biotechnology Ltd. ("CBDer"), headquartered in Yunnan China to develop China's industrial hemp market and potential international greenhouse projects etc.