MARY AGROTECHNOLOGIES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2023

August 21, 2023

This Management's Discussion and Analysis ("MD&A") presents management's analysis of the consolidated financial position and financial performance for the three and nine months ended June 30, 2023 of Mary Agrotechnologies Inc. ("Mary AG"), its 75% owned subsidiary Yunnan Moquan Agrotechnologies Limited ("Yunnan Moquan") and its 100% owned subsidiary Shanghai Moquan Agrotechnologies Co., Ltd. ("Shanghai Moquan"). Collectively, Mary AG, Yunnan Moquan and Shanghai Moquan, are referred to as the "Company". All inter-company balances and transactions have been eliminated.

The following information should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and nine months ended June 30, 2023 and 2022, and audited annual consolidated financial statements for the years ended September 30, 2022 and 2021, including the notes contained therein. Except otherwise indicated, the condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless noted otherwise.

The condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future.

The continued operations of the Company are dependent on future profitable operations, management's ability to manage costs, and the future availability of equity or debt financing. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due is uncertain. The above factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and liabilities in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

FORWARDING LOOKING INFORMATION

The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words 'believes,' 'expects,' 'anticipates,' 'estimates,' 'intends,' 'plans,' 'forecasts,' or similar expressions. Forward-looking statements are not guarantee of future performance. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the "Risk Factors" section. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and underlie the forward-looking statements as reasonable assumptions, any of which could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements.

Within this MD&A, the Company has specifically noted the forward-looking nature of comments where applicable. Generally, readers should be aware that forward-looking statements included or incorporated by reference in this document include statements with respect to:

- The Company's dependency on future profitable operations;
- The management's ability to manage costs;
- Expectations regarding the ability to raise capital to fund future working capital requirements.

A number of factors could cause actual events, performance or results, including those in respect of the foregoing items, to differ materially from the events, performance and results discussed in the forward-looking statements. Factors that could cause actual events, performance or results to differ materially from those set forth in the forward-looking statements include, but are not limited to:

- the effect of continuing operating losses on the Company's ability to obtain, on satisfactory terms, or at all, the capital required to maintain itself as a going concern;
- the risks associated with the increase in operating costs from additional research and development costs and increased staff;
- the Company's ability to attract and retain key personnel and key collaborators.

Although the forward-looking statements contained in this MD&A are based on what we consider to be reasonable assumptions based on information currently available to us, there can be no assurance that actual events, performance or results will be consistent with these forward-looking statements, and our assumptions may prove to be incorrect. These forward-looking statements are made as of the date of this MD&A. Forward-looking statements made in this MD&A are made as of the date of the original document and have not been updated by us except as expressly provided for in this MD&A. As required by applicable securities legislation, as a reporting issuer, it is the Company's policy to update forward-looking information in its periodic management discussions and analyses, as required from time to time, and provide updates on its activities to the public through the filing and dissemination of news releases and material change reports.

Any forward-looking information in this MD&A is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the Company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the Company and other factors.

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. 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.

1. DESCRIPTION OF BUSINESS

On a mission to bring food self-sufficiency to every community on this planet, Mary Agrotechnologies Inc. is an agricultural technology company that develops, manufactures, and markets automated growing systems integrated with data-driven artificial intelligence.

An integrated suite of hardware and software, the ag-tech company's proprietary automated growing systems make growing various kinds of crops substantially more sustainable, predictable, consistent, and cost-effective. For both at-home growers and commercial indoor operators, the technology platform makes cultivation independent from local climate, which makes farming agnostic of geographical location and season.

The Company was incorporated in Ontario, Canada, on October 12, 2017. The Company's head office is located at 115 Apple Creek Boulevard, Unit 4, Markham, Ontario, Canada L3R 6C9.

The Company has developed a proprietary automation platform - numerous algorithms interconnected with each other – that allows various kinds of plants to grow adaptively to the hardware and environment the plants are in.

To provide the best value of the algorithms to growers, the Company has created two distinct product lines: (i) small-medium standalone growing systems for home growing ("grow boxes"); and (ii) commercial indoor vertical farms. Mary AG has applied for provisional patents relating to both the grow box and the commercial vertical farm.

Mary AG's flagship consumer product, the Mary Model Z (the "Model Z"), is an at-home grow box designed with the everyday consumer in mind. It has been developed specifically for growing cannabis and takes the guesswork out of the process allowing anybody to grow at home.

A grow box is a partially or completely enclosed system for growing plants indoors or in small areas. The Model Z is a sophisticated, automated and cost-effective grow box, which takes a "set it and forget it" approach with only minimal intervention (20-30 minutes a week) required by the user to refill nutrients and trim the plant. The enclosed hydroponic and lighting systems enable increased yields and quicker harvesting intervals than traditional growing methods.

Mary AG collects unidentifiable encrypted cultivation data from its Model Z units and utilizes machine learning and artificial intelligence to create more efficient growing systems and methods. The Company plans to apply this data to its larger vertical growing systems on a commercial scale.

2. CORPORATE UPDATE

- In October 2021, the Company entered a strategic partnership with Changzhi Yufeng Agricultural Technology Development Co. Ltd. ("Yufeng"), one of the largest vertical farms in China to collaborate on a pilot project of 700 square meters (approx. 7,535 sq. ft.) with the Company's proprietary automation technology, including its proprietary vertical farming hardware and AI-driven automation software.

- Mary HK, a wholly-owned subsidiary of the Company was inactive and was fully dissolved on April 1, 2022.

- Shanghai Moquan, a wholly-owned subsidiary of the Company was incorporated under the laws of the People's Republic of China on June 24, 2022.

- In July 2022, the Company entered a strategic partnership with Bright Seedbase (Shanghai) Technology Co., Ltd. ("Bright"), the vertical farming and cultivar R&D arm of China's Bright Food (Group) Co., Ltd. ("Bright Food"). Bright Food is a multinational food and beverages manufacturing company headquartered in Shanghai, China. The partnership covers a range of subjects including: a) R&D in cultivation of various kinds of crops in controlled environment and vertical farms; b) Bright will consider the Company as a preferred candidate in Bright's future vertical farming projects, partially or fully, in design, construction, renovation, and operation processes. The Company has worked with Bright on the Bright Seedbase Vertical Farming Pilot Campus and provided a vertical farm in a standard 20-foot container.

- In August 2022, the Company announced that it was in the process of dissolving its 75% owned subsidiary Yunnan Moquan in China, and that going forward the Company's Chinese operations will focus on general agriculture through its wholly owned subsidiary Shanghai Moquan. Yunnan Moquan was fully dissolved on October 18, 2022.

<u>Business Objectives</u>

For the financial year ending September 30, 2023, the primary objective business objectives for the Company are to:

(a) market, sell and ship Model Z in North America;

(b) deploy vertical farming solutions in East Asia, particularly in China;

(c) continue to improve the automation platform;

(d) refine technology and create further intellectual property;

(e) obtain equity financing to fund business development; and

(f) develop Mary AG's business and seek new business opportunities.

COVID 19 Impact on Our Operations and Financial Position

The COVID-19 pandemic, which emerged in March 2020, continued to have a global impact throughout 2022. The pandemic may continue to affect our operations in 2023. The economic environment remains volatile and challenging which may have adverse impacts the Company's operational results and financial position, including, but not limited to:

- Delay in manufacturing and delivery of products;
- Increase in international shipping costs, which result in the increase of costs of revenue;
- Decline in revenue and cash flows as a result of an economic downturn;
- Delay in commercial indoor vertical farming projects

The COVID-19 situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgments made by management in the preparation of this MD&A and our financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

3. OVERALL PERFORMANCE

For the three months ended June 30, 2023, the Company generated sales revenue of $57,033 as compared to $33,235 for the same period of the prior year. The increase in sales revenue was mainly driven by the increase in revenue from vertical farming consulting services.

For the nine months ended June 30, 2023, the Company generated sales revenue of $133,507 as compared to $114,431 for the same period of the prior year. The increase in sales revenue was mainly driven by the increase in the vertical farming consulting services revenue.

Operating expenses were $163,314 for the three months ended June 30, 2023 as compared to $362,526 for the same period of the prior year. The decrease in operating expenses during the three months ended June 30, 2023 was primarily due to the decrease in the research and development, office and administrative expenses and wages, salaries expenses and share-based compensation.

Operating expenses were $533,311 for the nine months ended June 30, 2023 as compared to $1,369,506 for the same period of the prior year. The decrease in operating expenses during the nine months ended June 30, 2023 was primarily due to the decrease in the marketing and business development expenses, research and development expenses, share-based compensation, office and administrative expenses and wages and salaries expenses, partially offset by the increase in professional and consulting expenses.

Net losses were $123,744 for the three months ended June 30, 2023 as compared to net loss of $363,451 for the same period of the prior year. The 66% decrease in loss was primarily due to the decrease in operating expenses and the increase in gross profit.

Net losses were $379,537 for the nine months ended June 30, 2023 as compared to net loss of $1,224,772 for the same period of the prior year. The 69% decrease in loss was primarily due to the decrease in operating expenses that partially offset by the decrease in other income.

Basic and Diluted loss per share was $nil for the three months ended June 30, 2023, as compared to $0.01 loss per share for the same period of the prior year. Basic and Diluted loss per share was $0.01 for the nine months ended June 30, 2023 as compared to $0.03 loss per share for the same period of the prior year.

During the three and nine months ended June 30, 2023 and 2022, the Company was mainly relied on the proceeds from equity financing to fund all of its activities and meet its ongoing working capital requirements.

4. DISCUSSION OF OPERATIONS

Revenue

During the three months ended June 30, 2023, the Company realized total revenue of $57,033 as compared to $33,235 for the same period of the prior year. The total revenue included $45,795 revenue from vertical farming consulting services (2022: $nil). Shipping costs of $2,209 for grow boxes were charged to the cost of revenue for the period.

During the nine months ended June 30, 2023, the Company realized total revenue of $133,507 as compared to $114,431 for the same period of the prior year. The total revenue included $92,066 revenue from vertical farming consulting services provided to a customer (2022: $nil). Shipping costs of $10,320 for grow boxes were charged to the cost of revenue for the period.

The gross margin for the three months ended June 30, 2023 was $50,086 or 88% as compared to negative $1,445 or negative 4% for the same period of the prior year. The gross margin for the nine months ended June 30, 2023 was $99,655 or 74.6% as compared to negative $2,329 or negative 2% for the same period of the prior year. The increase in gross margin was largely driven by the increase in revenue from vertical farming consulting services.

(All amounts expressed in Canadian dollars, unless otherwise stated)

Operating expenses

The following is the breakdown of the operating expenses for the three and nine months ended June 30, 2023 and 2022:

	Three months ended June 30,		Nine months ended June 30,	
	2023	2022	2023	2022
Expenses	$	$	$	$
Professional fees	35,620	28,916	121,129	73,426
Amortization	16,101	19,586	48,303	58,212
Accretion	657	1,464	2,363	5,250
Marketing and business development	107	8,195	667	149,709
Office and administrative	23,427	37,792	94,271	145,882
Research and development	-	29,295	8,636	105,020
Share-based compensation	26,876	116,864	80,628	380,981
Travel and entertainment	-	-	-	18,341
Wages and salaries	60,526	120,414	177,314	432,685
Total	**163,314**	**362,526**	**533,311**	**1,369,506**

Operating expenses were $163,314 for the three months ended June 30, 2023 as compared to $362,526 for the same period of the prior year. The 55% decrease in operating expenses during the three months ended June 30, 2023 was primarily due to the decrease in the marketing and business development expenses, office and administrative expenses, research and development expenses, share-based compensation and wages and salaries.

Operating expenses were $533,311 for the nine months ended June 30, 2023 as compared to $1,369,506 for the same period of the prior year. The 61% decrease in operating expenses during the nine months ended June 30, 2023 was primarily due to the decrease in the marketing and business development expenses, research and development expenses, office and administrative expenses, share-based compensation expenses and wages and salaries that partially offset by the increase in professional fees.

Professional fees

Professional and consulting fees are primarily related to legal, accounting, audit services and other consulting services.

For the three months ended June 30, 2023, the Company incurred professional fees of $35,620 as compared to $28,916 for the same period of the prior year. The increase was due to the Company reduced number of employees and hire more independent contractors to lower labour costs.

For the nine months ended June 30, 2023, the Company incurred professional fees of $121,129 as compared to $73,426 for the same period of the prior year. As noted above, the increase in the professional fees for the nine months ended June 30, 2023 was due to the Company reduced number of employees and hire more independent contractors to lower labour costs.

Amortization

Amortization are related to computers, office furniture and equipment, production equipment and right-of use assets.

For the three months ended June 30, 2023, the Company incurred amortization expenses of $16,101 as compared to $19,586 for the same period of the prior year. Amortization expenses for the nine months ended June 30, 2023 were $48,303 as compared to $58,212 for the same period of the prior year. The decrease in amortization expenses reflect the reduction in right-of-use assets.

Accretion

Accretion expenses are related to interest expenses on lease liabilities.

For the three months ended June 30, 2023, the Company incurred $657 in accretion expenses as compared to $1,464 for the same period of the prior year. For the nine months ended June 30, 2023, the Company incurred $2,363 in accretion expenses as compared to $5,250 for the same period of the prior year. The decrease of the accretion expenses reflects decreased lease liabilities. The total lease liabilities as at June 30, 2023 was $44,934 as compared to $85,925 as at June 30, 2022.

Marketing and business development

Marketing and business development expenses are related to activities in promoting products, such as market studies, advertisement, social media launch and maintenance and creatives and contents for the website.

For the three months ended June 30, 2023, the Company incurred marketing and business development expenses of $107 as compared to $8,195 for the same period of the prior year. For the nine months ended June 30, 2023, the Company incurred marketing and business development expenses of $667 as compared to $149,709 for the same period of the prior year. The significant decrease was due to expenses incurred during the nine months ended June 30, 2022, related to developing a new website, marketing materials, social media launch, and product strategies.

Office and administrative

For the three months ended June 30, 2023, the Company incurred office and administrative expenses of $23,437 as compared to $37,792 for the same period of the prior year. For the nine months ended

June 30, 2023, the Company incurred office and administrative expenses of $94,271 as compared to $145,882 for same period of the prior year.

In April 2021, in response to the world-wide chip shortage, the Company secured chip supplies by signing a three-year hosted service and support service agreement, which provides both devices (chips) and cloud-based hosted services and support services. The costs of the services portion were recorded as office and administrative expenses. The agreement was terminated during the quarter ended June 30, 2022 without any penalties. There were $nil and $nil of such costs was recorded as office and administrative expenses for the three months and nine months ended June 30, 2023 (2022: $nil and 14,595).

Research and development

Research and development expenses are primarily related to product testing and research.

For the three months ended June 30, 2023, the research and development expenses were $nil as compared to $29,295 for the same period of the prior year. For the nine months ended June 30, 2023, the research and development expenses were $8,636 as compared to $105,020 for the same period of the prior year. The decrease in the research and development expenses were resulting from the decreased research and development activities related to the vertical farm business.

Share-based compensation

Share-based compensation is related to stock options granted to directors, officers, employees and consultants of the Company, as well earned-out shares issued to an employee.

For the three months ended June 30, 2023, the Company incurred share-based compensation expenses of $26,876 as compared to $116,864 for the same period of the prior year. For the nine months ended June 30, 2023, the Company incurred share-based compensation expenses of $80,628 as compared to $380,981 for the same period of the prior year. The decrease in share-based compensation was mainly due to the decrease in the fair values of the stock options granted.

Travel and entertainment

The Company has no travel and entertainment expenses for the three months ended June 30, 2023 and 2022. For the nine months ended June 30, 2023, the Company incurred travel and entertainment expenses of $nil as compared to $18,341 for the same period of the prior year. The decrease in travel and entertainment expenses was resulted from cost-cutting measures.

Wages and salaries

For the three months ended June 30, 2023, wages and salaries expenses were $60,526 as compared to $120,414 for the same period of the prior year. For the nine months ended June 30, 2023, wages and salaries expenses were $177,314 as compared to $432,685 for the same period of the prior year. The decrease reflects the reduction in the number of employees.

5. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The following is a summary of selected financial data from the Company for the eight most recently completed quarters.

	For the quarters ended			
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
	$	$	$	$
Revenue	57,033	60.377	16,098	7,504
Net Loss	(123,744)	(75,362)	(180,429)	(227,155)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.01)
Weighted average number of common shares outstanding – basic and diluted	43,227,924	43,227,924	43,227,924	43,159,157

	For the quarters ended			
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
	$	$	$	$
Revenue	33,235	26,082	55,114	18,833
Net Loss	(363,451)	(419,649)	(441,672)	(592,809)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of common shares outstanding – basic and diluted	43,152,100	43,127,924	43,127,924	43,127,924

The Company's business is generally non-seasonal and is driven by transactions which do not have a seasonal pattern.

6. LIQUIDITY

(In Canadian dollars, except ratios)	June 30, 2023	September 30, 2022
Current ratio (1)	9.1 : 1.0	9.9 : 1.0
Cash and cash equivalent	304,551	534,635
Working capital (2)	563,293	847,810

(1) Current ratio is current assets divided by current liabilities.
(2) Working capital is current assets minus current liabilities

Cash Position

(All amounts expressed in Canadian dollars, unless otherwise stated)

The Company's cash balance was $304,551 as at June 30, 2023, representing a decrease of $230,084 as compared to $534,635 as at September 30, 2022. The decrease in cash was largely driven by payments for operating activities.

	Nine months ended June 30, 2023	Nine months ended June 30, 2022
	$	$
Cash used in operating activities	(196,784)	(933,150)
Cash used in investing activities	-	(39,912)
Cash used in financing activities	(33,300)	(23,204)
Decrease in cash and cash equivalents	(230,084)	(996,266)

The Company's operational activities during the three and nine months ended June 30, 2023 were mainly financed by equity financing. As at June 30, 2023, the Company had current asset of $632,419 compared to $943,419 as at September 30, 2022.

Working Capital

The Company had a working capital of $563,293 as at June 30, 2023 as compared to a working capital of $847,810 as at September 30, 2022, representing a decrease of working capital of $284,517. The decrease in working capital for the nine months ended June 30, 2023 was primarily due to the decrease in cash and cash equivalents.

Contractual Obligation

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the significant remaining contracted maturities of the Company's financial liabilities and capital expenditures as at June 30, 2023.

		Due by period			
	Total	Less than one year	1 - 3 years	4 - 5 years	After 5 years
	$	$	$	$	$
Bank loans	60,000	60,000	-	-	-
Accounts payable and accruals	11,925	11,925	-	-	-
Lease obligations	44,934	44,934	-	-	-
Purchases	203,272	78,202	125,070		
Total	320,131	195,060	125,070	-	-

(All amounts expressed in Canadian dollars, unless otherwise stated)

7. OUTSTANDING SHARE DATA

Under the Articles of the Company, the Company is authorized to issue unlimited shares with no par value.

The following share capital data is current as of the date of this document:

	Balance
Shares issued and outstanding	43,227,924
Stock options	3,609,000
Earn-out shares	250,500

8. 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.

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, 2023 and 2022 were as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2023	2022	2023	2022
	$	$	$	$
Salaries and short-term employee benefits	33,000	33,000	99,000	146,030
Share-based compensation	7,134	102,216	21,401	316,448
	40,134	135,216	120,401	462,478

(All amounts expressed in Canadian dollars, unless otherwise stated)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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, 2023 Carrying Amount	September 30, 2022 Carrying Amount
	$	$
Assets carried at amortized cost		
Cash and cash equivalents	304,551	534,635
	304,551	534,635
Liabilities carried at amortized cost		
Accounts payable and accrued liabilities	11,925	38,807
Lease obligations	44,934	75,870
Bank loans	60,000	60,000
	116,859	174,677

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

The Company has exposure to the following risks from its use of financial instruments:

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, 2023 and 2022, 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.

The Company has purchase contracts denominated in US dollars. The Company is exposed to foreign exchange risks between the US dollars and Canadian dollars in its accounts payable derived from execution of such purchase contracts. The Company does not have material accounts payable denominated in US dollars as of June 30, 2023 and September 30, 2022.

10. CAPITAL RESOURCES

As at June 30, 2023, the Company had cash and cash equivalent of $304,551.

The Company requires capital to fund existing and future operations. 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:

(a) Meet the Company's regulatory requirements;
(b) Fund current and future operations;
(c) Ensure that the Company is able to meet its financial obligations as they come due.

As at June 30, 2023, the Company had a working capital of $563,293 and loans payable of $60,000.

The Company's operations have been funded through equity financing, credit facilities and cash generated from operations and the Company expects it will continue to be able to utilize these sources to fund its operations through fiscal year 2023.

There can be no assurance that the Company will be successful in its endeavours. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail its activities to a level for which funding is available and can be obtained.

11. RISK AND UNCERTAINTIES

Negative Operating Cash Flows

As the Company is at the early stage start up stage it may continue to have negative operating cash flows. Without the injection of further capital and the development of revenue streams from its business, the Company may continue to have negative operating cash flows until it can realize stable cash flow from operations.

Reliance on Key Personnel and Advisors

The Company relies heavily on its officers. The loss of their services may have a material adverse effect on the business of the Company. There can be no assurance that one or all of the employees of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to, the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. We will be dependent upon the capital markets to raise additional financing in the future, while we establish a client base for our product. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, we are subject to liquidity risks in meeting our development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact our ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to us and our management. If uncertain market conditions persist, our ability to raise capital could be jeopardized, which could have an adverse impact on our operations.

Conflicts of Interest

Certain directors of the Company also serve as directors and/or officers of other companies involved in other business ventures. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

12. OFF-BALANCE SHEET TRANSACTIONS

The Company has no off-balance sheet agreements as at June 30, 2023 or as of the date of this MD&A.

13. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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.

For the three and nine months ended June 30, 2023, the COVID-19 had an impact on the global economy. The Company has taken into account of the impacts of COVID-19 and the unique circumstances it has created in making estimates, assumptions and judgements in the preparation of the consolidated financial statements. Actual results may differ from estimated amounts, and those differences may be material.

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:

Significant accounting estimates

- 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.

- Share 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.

Significant accounting judgments

- Determination of Company's ability to continue as a 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 obtain profitable operations, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

- Deferred income assets or liabilities - The 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. If, after expenditures is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

14. CONTROL AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all material information related to the Company, including its consolidated subsidiaries, is made known to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Internal Control over Financial Reporting ("ICOFR")

The Company's management are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the management, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that the Company's receipts and expenditures are made only in accordance with authorization of management and the Company's directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual or interim financial statements.

Limitations on the Effectiveness of Disclosure Controls and the Design of ICOFR

The Company's management do not expect that the Company's disclosure controls and procedures and ICFR will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system objectives will be met. The likelihood of achievement is affected by limitations inherent in all internal control systems. These inherent limitations include the realities that judgments or decision making can be faulty, and that breakdowns occur because of simple errors or mistakes. Controls can also be circumvented in numerous ways including collusion, overrides and deception. In addition to the inherent limitations, the design of a control system must reflect that there are resource constraints, and the expected benefit of controls must be considered relative to the expected costs. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Further, no evaluation of controls can provide absolute assurance that all control issues within a company will be detected.

15. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

No new and revised accounting standard was adopted by the Company for annual periods beginning on October 1, 2022.

A number of new standards, amendments to standards and interpretations are not yet effective for the three and nine months ended June 30, 2023 and have not been applied in preparing these condensed interim consolidated financial statements. None of these pronouncements are expected to have material impact on the Company's consolidated financial statements.

16. STAFF NOTICE 51-352 DISCLOSURE

The Company currently sells growing devices. The growing devices can be used by consumers to grow cannabis in the United States.

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. §811) (the "CSA"), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. The United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication.

In the United States, cannabis is largely regulated at the state level. State laws that permit and regulate the production, distribution, sale and use of cannabis for adult-use or medical purposes are in direct conflict with the CSA, which makes cannabis cultivation, production of cannabis derived products, distribution, sale and use and possession illegal under U.S. federal law. Although certain states authorize medical or adult-use cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply.

While the Company does not believe its business is illegal under U.S. federal or state laws as it only sells growing devices to consumers in the United States, and the Company is not aware of any statements, guidance or regulatory actions taken by U.S. federal or state authorities on growing equipment manufacturers, there is no assurance that U.S. federal or state authorities will not take action to restrict the Company's ability to operate in the U.S.

Readers are cautioned that the Company has not sought United States legal advice or obtained legal opinions as to the legality of the Company's operations in the United States.

On January 4, 2018, then U.S. Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys which rescinded previous guidance from the U.S. Department of Justice ("DOJ") specific to cannabis enforcement in the United States. As a result, U.S. federal prosecutors have been given discretion in determining whether to prosecute cannabis related violations of U.S. federal law.

If the Department of Justice pursues prosecutions, then the Company could face: (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries; (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis; or (iii) barring employees, directors, officers, managers and investors who are not U.S. citizens from entry into the United States for life.

However, even while the Attorney General position was filled by Jeff Sessions, the federal government brought no criminal enforcement against any state-law compliant cannabis companies at all, not just those involved with medical cannabis. The absence of prosecutions reflects the strong public support of ending prosecutions particularly of state legal conduct, and prosecutors' reluctance to bring cases particularly now that the President of the United States advocates for decriminalization and expungement.

President Biden has promised federal reform on cannabis, including decriminalization generally. According to the Biden website, a Biden Administration "will decriminalize cannabis use and automatically expunge prior convictions. And, he will support the legalization of cannabis for medical purposes, leave decisions regarding legalization for recreational use up to the states, and reschedule cannabis as a schedule II drug so researchers can study its positive and negative impacts." The Biden-Sanders Unity Platform, which was released at the time President Biden won the Democratic Party nomination for President, affirmed that his administration would seek to "[d]ecriminalize marijuana use and legalize marijuana for medical purposes at the federal level;" "allow states to make their own decisions about legalizing recreational use;" and "automatically expunge all past marijuana convictions for use and possession." Biden's pledge to "decriminalize" cannabis may be reasonably interpreted to mean that any Attorney General under his administration will order U.S. Attorneys not to enforce the federal cannabis prohibition against state law compliant entities and others legally transacting business with them. Biden has selected Judge Merrick Garland to serve as the U.S. Attorney General under his administration. Judge Garland has not publicly expressed any negative views toward cannabis legalization or decriminalization. During his confirmation hearing before the U.S. Senate, Judge Garland testified that prosecuting companies in "states that have legalized and that are regulating marijuana, either medically or otherwise," would not be a "useful use of limited resources." Nonetheless, there is no guarantee that the position of the Department of Justice will not change.

Certain U.S. states have legalized or decriminalized cannabis in some form or another. 36 states and the U.S. territories of Guam, the U.S. Virgin Islands, and Puerto Rico have comprehensive medical cannabis programs. Fifteen of those states, the District of Columbia, Guam, and Northern Mariana have legalized cannabis for adults for non-medical purposes (sometimes referred to as adult or recreational use). Eleven additional states have legalized cannabis, but with caps on the amount of THC, for select medical conditions. There are over 15 which allow home cultivation for medical or recreational purposes. Only three states continue to prohibit cannabis entirely. Generally, the states allowing home cultivation have restrictions on the number of plants a permit allows for or a household is allowed, which typically falls in the range of 4 to 12.

There is no guarantee that state laws legalizing, regulating and decriminalizing the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects would be materially adversely affected. For the nine months ended June 30, 2023 and 2022, sales to the U.S. represented 27.72% and 79.88% of the Company's revenue respectively.

Although the Company can sell its growing devices to consumers who use them to grow other crops, the loss of the cannabis grower market in the U.S. would adversely impact the Company's revenues, market outlook, and access to both public and private capital, until such time as the Company is able to reposit its products and target customers who wish to grow other high value crops.

Since 2014, the United States Congress has passed appropriations bills which included provisions to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law (the "Rohrabacher-Leahy Amendment" but also referred to as the Joyce/Leahy Amendment, Leahy Amendment, Rohrabacher-Farr Amendment or the Rohrabacher-Blumenauer Amendment). On December 27, 2020, the amendment was included in and renewed through the signing of the 2021 Fiscal Year omnibus spending bill, effective through September 30, 2021. There can be no assurances that the Rohrabacher-Leahy Amendment will be included in future appropriations bills. If the Rohrabacher-Leahy Amendment is no longer in effect, the risk of federal enforcement and override of state marijuana laws would increase.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, on February 8, 2018 the Canadian Securities Administrators published a staff notice ("Staff Notice 51-352") setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry.

The Company is based in Canada but does sell its growing devices to the U.S, which potentially qualifies the Company as an "U.S. Marijuana Issuer with material ancillary involvement" for the purposes of Staff Notice 51-352.

The Company's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry in the United States. Accordingly, there are a number of significant risks associated with the business of the Company. Unless and until the United States Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current U.S. federal law, and the Company could face charges related to producing, cultivating, extracting, or dispensing cannabis, including aiding or abetting or otherwise engaging in a conspiracy to commit such acts in violation of federal law in the United States.

For these reasons, the Company's sales of its products into the United States cannabis market may subject the Company to heightened scrutiny by regulators, stock exchanges, clearing agencies and other Canadian and U.S. authorities.