Mary Agrotechnologies Inc.

Consolidated Financial Statements

For the Years Ended September 30, 2023 and 2022

Mary Agrotechnologies Inc.

Years Ended September 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of **Mary Agrotechnologies Inc.**

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

In our opinion, the accompanying consolidated 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 Consolidated 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 consolidated 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.

Other than the matter described in the "Material Uncertainty Related to Going Concern" section of this report, we determined there are no other key audit matters to be communicated in our auditor's report.

Other information
Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis. Our opinion on the consolidated 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 consolidated 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 consolidated 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 Consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 23, 2024

Chartered Professional Accountants

Mary Agrotechnologies Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	September 30, 2023 $	September 30, 2022 $
ASSETS		
Current Assets		
Cash and cash equivalents	170,185	534,635
Prepaid expenses and deposits	17,256	80,044
Inventory (note 5)	8,397	270,551
Accounts receivable	31,579	58,189
	227,417	943,419
Non-current Assets		
Property and equipment (note 6)	34,460	219,321
TOTAL ASSETS	261,877	1,162,740
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	12,696	38,807
Customer advances	14,623	14,844
Current portion of lease obligations (note 8)	33,912	41,958
Bank Loan (note 9)	60,000	-
	121,231	95,609
Non-Current Liabilities		
Non-current portion of lease obligations (note 8)	-	33,912
Bank loans (note 9)	-	60,000
TOTAL LIABILITIES	121,231	189,521
SHAREHOLDERS' EQUITY		
Share capital (note 10)	5,395,412	5,395,412
Contributed surplus	1,025,344	918,433
Deficit	(6,280,110)	(5,340,626)
TOTAL SHARESHOLDERS' EQUITY	140,646	973,219
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	261,877	1,162,740

Nature of operations and going concern (note 1)
Subsequent event (note 19)

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 consolidated financial statements.

Mary Agrotechnologies Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended September 30, 2023	2022
	$	$
Revenue	49,914	121,935
Cost of revenue	(42,735)	(142,763)
Gross profit (loss)	7,179	(20,828)
Professional and consulting fees	155,104	111,526
Amortization (note 6)	64,404	74,313
Accretion (note 8)	2,886	6,295
Marketing and business development	775	151,147
Office and administrative	114,812	186,897
Research and development (note 11)	8,636	138,253
Share-based compensation (note 7, 10)	106,911	392,080
Travel and entertainment	-	19,591
Wages and salaries (note 7)	237,840	498,126
Inventory provision (note 5)	235,117	-
Write-down of prepayment	45,906	-
	972,391	1,578,228
LOSS BEFORE OTHER ITEMS	(965,212)	(1,599,056)
OTHER ITEMS		
Foreign exchange (loss) gain	(209)	564
Interest income	-	410
Other income (note 12)	146,393	146,097
Impairment loss on property and equipment (note 6)	(120,456)	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(939,484)	(1,451,985)
Loss per Share		
Basic and diluted	(0.02)	(0.03)
Weighted Average Number of Common Shares Outstanding		
Basic and diluted	43,227,924	43,159,157

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

Mary Agrotechnologies Inc.
Consolidated Statements of Changes in Shareholders' Equity
(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, 2021	**43,127,924**	**-**	**5,345,412**	**551,353**	**(3,888,641)**	**2,008,124**
Shares issued on exercise of stock options	100,000	-	50,000	(25,000)	-	25,000
Share-based compensation	-	-	-	392,080	-	392,080
Net loss for the year	-	-	-	-	(1,451,985)	(1,451,985)
Balance, September 30, 2022	**43,227,924**	**-**	**5,395,412**	**918,433**	**(5,340,626)**	**973,219**
Share-based compensation	-	-	-	106,911	-	106,911
Net loss for the year	-	-	-	-	(939,484)	(939,484)
Balance, September 30, 2023	**43,227,924**	**-**	**5,395,412**	**1,025,344**	**(6,280,110)**	**140,646**

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

Mary Agrotechnologies Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended September 30, 2023	2022
	$	$
Operating activities:		
Net loss for the year	(939,484)	(1,451,985)
Items not involving cash:		
Accretion	2,886	6,295
Share-based compensation	106,911	392,080
Amortization	64,404	74,313
Inventory provision or write-off	235,117	20,559
Gain on lease termination	-	(6,518)
Write-down of prepayment	45,906	-
Impairment loss on property and equipment	120,456	-
Changes in non-cash working capital:		
Inventory	27,038	(21,342)
Accounts receivable	26,610	(1,204)
Accounts payable and accrued liabilities	(26,111)	(178,817)
Customer advances	(221)	(22,969)
Prepaid expenses	16,882	25,312
Lease obligation	-	29,024
Net cash used in operating activities	(319,606)	(1,135,252)
Investing activities		
Purchase of property and equipment	-	(39,912)
Net cash used in investing activities	-	(39,912)
Financing activities		
Lease payments	(44,844)	(59,304)
Proceeds from exercise of stock options	-	25,000
Net cash used in financing activities	(44,844)	(34,304)
Decrease in cash and cash equivalents	(364,450)	(1,209,468)
Cash and cash equivalents, beginning of year	534,635	1,744,103
Cash and cash equivalents, end of year*	170,185	534,635

* The Company does not have non-cash investing and financial activities for the years ended September 30, 2023 and 2022.

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

1. NATURE OF OPEARTIONS AND GOING CONCERN

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 4, Markham, Ontario, L3R 6C9.

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, establishes and will operate container farms.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These 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.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared using accounting policies consistent with IFRS. These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

These consolidated financial statements are authorized for issue by the Board of Directors on January 23, 2024.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) 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.

The following entities are controlled by the Company. These entities have no material transactions for the period from the inception of their incorporation to September 30, 2023.

Entity	Ownership September 30, 2023	Ownership September 30, 2022	Location	Basis of accounting
Yunnan Moquan Agrotechnologies Limited ("Yunnan Moquan") (1)	---	75%	China	Consolidated
Shanghai Moquan Agrotechnologies Co., Ltd. ("Shanghai Moquan") (2)	100%	100%	China	Consolidated

(1) Yunnan Moquan was fully dissolved on October 18, 2022.

(2) Shanghai Moquan was incorporated on June 24, 2022.

b) Functional currency

The financial statements of each entity in the group are measured using the currency of the primary economic environment in which the entity operates. The Company's consolidated financial statements are presented in Canadian dollars. which is also the Company's functional currency.

The functional currency of Yunnan Moquan and Shanghai Moquan is Chinese Renminbi ("RMB").

c) Cash and cash equivalents

Cash equivalents consist of cash balances with deposits in bank highly liquid investments with an original maturity of three months of less. As at September 30, 2023 and 2022, the Company does not have cash equivalents.

d) Inventories, net

Inventories are stated at the lower of cost or net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated selling costs. The cost of inventory is determined on a weighted average basis.

e) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, at the following annual rates:

	%
Computers, software and peripheral equipment	33%
Mold & production equipment	10%
Office furniture and equipment	10%
Right-of-use asset	lease term

The Company estimates the useful lives of property and equipment based on the period for which the assets are expected to be in use. The estimation of the useful lives and the residual value of property and equipment are based on internal technical evaluation and experience with similar assets. Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting year-end and adjusted, if appropriate.

f) Impairment of long-lived assets

The Company's long-lived assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

g) Customer Advances

Advances from customers include primarily unearned amounts received in respect of sale and service contracts, but not yet recognized as revenues and therefore are classified as a liability.

h) Financial instruments

The Company follows IFRS 9 – Financial Instrument ("IFRS 9") to account its financial instruments. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest.

Under IFRS 9, financial assets are classified into one of three categories below:
- amortized cost;
- fair value changes through other comprehensive income ("FVTOCI"); and
- fair value through profit or loss ("FVTPL")

Under IFRS 9, financial liabilities are classified into one of two categories below:
- amortized cost; and
- FVTPL

The following table summarizes the classification of the Company's financial instruments under IFRS 9:

Financial instruments	IFRS 9 Classification
Cash and cash equivalents	Amortized cost
Accounts receivable (exclude taxes receivable)	Amortized cost
Accounts payable and accrual liabilities (exclude taxes payable)	Amortized cost
Bank loans	Amortized cost
Lease obligations	Amortized cost

<u>Financial assets</u>

(i) Recognition of financial assets

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. On initial recognition, all financial assets and financial liabilities are recorded at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case transaction costs are expensed as incurred.

(ii) Subsequent measurement of financial assets

Financial assets classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization from the effective interest method is included in finance income. Financial assets classified as FVTPL are measured at fair value with changes in fair values recognized in profit or loss. Equity investments designated as FVTOCI are measured at fair value with changes in fair values recognized in other comprehensive income ("OCI"). Dividends from that investment are recorded in profit or loss when the Company's right to receive payment of the dividend is established unless they represent a recovery of part of the cost of the investment.

(iii) Impairment of financial assets carried at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Subsequent measure of financial liabilities

Financial liabilities classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization using the effective interest method is included in finance costs.

Financial liabilities classified as FVTPL are measured at fair value with gains and losses recognized in profit or loss.

(v) Derecognition of financial assets and financial liabilities

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass‑ through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The assets and settle liabilities simultaneously gains and losses on derecognition of financial assets and liabilities classified as amortized cost are recognized in profit or loss when the instrument is derecognized or impaired, as well as through the amortization process. Gains and losses on derecognition of equity investments designated as FVTOCI (including any related foreign exchange component) are recognized in OCI. Amounts presented in OCI are not subsequently transferred to profit or loss, although the cumulative gain or loss may be transferred within equity.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability. In this case, a new liability is recognized, and the difference in the respective carrying amounts is recognized in the statement of income.

(vi) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize.

(vii) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without deduction for transaction costs. For financial instruments that are not traded in active markets, the fair value is determined using appropriate valuation techniques, such as using a recent arm's length market transaction between knowledgeable and willing parties, discounted cash flow analysis, reference to the current fair value of another instrument that is substantially the same, or other valuation models.

i) Leases

The Company adopted IFRS 16 – Leases ("IFRS 16") which requires leases to be reported on the statement of financial position unless certain requirements for exclusion are met.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and if the Company has the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received and initial direct costs. The right-of-use asset is depreciated on a straight-line basis over the lease term.

Lease liabilities are initially measured at the present value of the unavoidable lease payments and discounted using the Company's incremental borrowing rate when an implicit rate in the lease is not readily available. Interest expense is recognized on the lease liabilities using the effective interest rate method.

The Company makes judgments and assumptions on incremental borrowing rates and the lease term by evaluating the probability of exercising its option to extend or renew its lease contracts. The carrying balance of the right-of-use assets and lease liabilities, and related interest and depreciation expense, may differ due to changes in market conditions and expected lease terms.

j) Provisions

A provision is recorded when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. With respect to legal matters, provisions are reviewed and adjusted to reflect the impact of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter. As at September 30, 2023, the Company is not a party to any litigation that could have a material adverse effect on the Company's business, financial position, results of operations or cash flows.

k) Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is estimated using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not provide for temporary differences relating to differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax estimated is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

l) Basic and diluted net loss per share

Basic loss per common share is computed by dividing their respective net loss by the weighted average number of common shares outstanding during the year. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the income per share. The dilutive effect of convertible securities is reflected in the diluted loss per share by application of the "if converted" method. The dilutive effect of outstanding incentive stock options and their equivalents is reflected in the diluted loss per share by application of the treasury stock method.

m) Revenue recognition

Revenue is recorded net of estimated provisions for returns, rebates and sales allowances from the sale of products. Revenues are recognized when it transfers control of the product or service to a customer, which is usually when the goods are delivered to locations designated by the customers. Amounts billed to customers for shipping are included in revenue and shipping costs are charged to cost of revenue.

n) Research and development expenses

Research and development costs are charged to the consolidated statement of operations as incurred.

Based on the Company's product development process, technological feasibility is established upon the completion of a working model. The Company does not incur significant costs between the completion of a working model and the point at which the products are ready for general release. Therefore, research and development costs are charged to the consolidated statement of operations as incurred. The Company did not capitalized expenses during the years ended September 30, 2023 and 2022.

o) Government grants

Government grants consist of grants received under the refundable scientific research and experimental development tax credits (“SR&ED”) and Industrial Research Assistance Program (“IRAP”). Government grants are recorded as other income on the statement of loss and comprehensive loss upon cash receipt.

p) Share-based compensation

The fair value of equity settled stock options awarded to employees defined under IFRS 2 Share-based payments (i.e. employees for legal and tax purpose, directors and certain consultants), determined as of the date of grant, and awarded to non-employees defined under IFRS 2, as of the date of delivery of service, is recognized as share-based payments expense, included in general and administrative expenses in the statement of comprehensive loss, over the vesting period of the stock options based on the estimated number of options expected to vest, with a corresponding increase in equity.

q) New standards adopted in the reporting period

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

r) Accounting standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended September 30, 2023 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 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.

<u>Significant accounting judgments</u>

- **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.

(In Canadian Dollars, unless otherwise stated)

5. INVENTORY

As at September 30, 2023, the Company has inventories valued at $8,397 (September 30, 2022 - $270,551). There was $235,117 write-down of inventories for the year ended September 30, 2023 (2022 - $20,559). There was no reversal of write-down of inventories for the year ended September 30, 2023 (2022 - $nil).

	September 30, 2023	September 30, 2022
	$	$
Raw materials and work-in-progress	-	18,296
Finished products	8,397	252,255
	8,397	270,551

6. PROPERTY AND EQUIPMENT

	Computer and peripheral equipment	Office furniture and equipment	Production equipment	Right-of-use assets	Total
	$	$	$	$	$
COST					
Balance, September 30, 2021	14,227	2,287	170,554	170,701	357,769
Additions	-	-	10,888	85,925	96,813
Disposals	-	-	-	(170,701)	(170,701)
Balance, September 30, 2022 and 2023	14,227	2,287	181,442	85,925	283,881
ACCUMULATED AMORTIZATION					
Balance, September 30, 2021	6,924	757	25,242	71,125	104,048
Additions	3,069	228	17,600	53,416	74,313
Disposals	-	-	-	(113,801)	(113,801)
Balance, September 30, 2022	9,993	985	42,842	10,740	64,560
Additions	3,069	229	18,144	42,963	64,405
Impairment loss	-	-	120,456	-	120,456
Balance, September 30, 2023	13,062	1,214	181,442	53,703	249,421
CARRYING VALUE					
Balance, September 30, 2022	**4,234**	**1,302**	**138,600**	**75,185**	**219,321**
Balance, September 30, 2023	**1,165**	**1,073**	**-**	**32,222**	**34,460**

The carrying amounts of the Company's capital assets were reviewed as at September 30, 2023. Management performed an impairment test on the Company's capital assets carried. As a result of the test, the Company determined that the carrying amount of the production equipment was less than their recoverable amounts, therefore, $120,456 impairment loss was recognized in the Consolidated statements of loss and comprehensive loss.

(In Canadian Dollars, unless otherwise stated)

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) During the year ended September 30, 2023, the Company incurred consulting fees of $60,000 (2022 - $60,000) to a corporation controlled by the chief financial officer ("CFO").

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 (including chief executive officer, CFO and chief operating officer) and directors of the Company.

The compensation paid or payable to key management personnel during the years ended September 30, 2023 and 2022 were as follows:

	For the year ended September 30, 2023	For the year ended September 30, 2022
	$	$
Salaries, consulting fees and short-term employee benefits	132,000	179,030
Share-based compensation	27,624	337,661
	159,624	516,691

Key management personnel were not paid post-employment benefit, termination fees or other long-term benefits for the years ended September 30, 2023 and 2022.

8. LEASES OBLIGATIONS

A summary of the lease obligations is listed below.

	September 30, 2023	September 30, 2022
	$	$
Balance, beginning of the year	75,870	106,373
Derecognized liabilities	-	(63,419)
Additional liabilities	-	85,925
Accretion	2,886	6,295
Lease payments	(44,844)	(59,304)
Balance, end of the year	33,912	75,870
Current portion of lease obligations	33,912	41,958
Non-current portion of lease obligations	-	33,912

(In Canadian Dollars, unless otherwise stated)

The following table presents a reconciliation of the Company's undiscounted cash flows to the present value for its lease payable as at September 30, 2023 and 2022.

	September 30, 2023	September 30, 2022
	$	$
Within 1 year	34,632	44,844
Between 1 – 2 years	-	34,632
Total undiscounted amount	34,632	79,476
Less: accretion	(720)	(3,606)
Total discounted amount	33,912	75,870

During the year ended September 30, 2020, the Company entered into a lease agreement for office and warehouse space ("Old Lease") for a term of three years commencing July 1, 2020 with an option to renew for another three years. Accordingly, the related right-of-use asset of $170,701 was recorded in property and equipment based on an estimated incremental borrowing rate of 8% for three years non-cancellable lease term.

In June 2022, the Company terminated the Old Lease and entered into a new lease agreement ("New Lease") with the same landlord for a term of two years commencing July 1, 2022 with an option to renew for another two years. Therefore, the Company derecognized the net book value of the right-of-use asset and lease obligation under the Old Lease and resulting a gain of $6,518 recognized in the profit and loss. The Company recognized the right-of-use asset of $85,925 under the New Lease based on estimated incremental borrowing rate of 5.065% for two years non-cancellable lease term on July 1, 2022.

9. BANK LOANS

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 an 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.

On January 12, 2022, the Government of Canada announced that the repayment deadline for CEBA loans to qualify for partial loan forgiveness is being extended from December 31, 2022, to December 31, 2023, for all eligible borrowers in good standing. Repayment on or before the new deadline of December 31, 2023, will result in loan forgiveness of up to $20,000. Outstanding loans would subsequently convert to two-year term loans with interest of 5% per annum commencing on January 1, 2024, with the loans fully due by December 31, 2025.

On September 14, 2023, the Government of Canada announced extended deadlines for CEBA loan repayments, providing an additional year for term loan repayment, and additional flexibilities for loan holders looking to benefit from partial loan forgiveness of up to 33 per cent. The repayment deadline for CEBA loans to qualify for partial loan forgiveness is being extended from December 31, 2023, to January 18, 2024. The repayment deadline to qualify for partial loan forgiveness now includes a refinancing extension until March 28, 2024.

The Company repaid the $60,000 CEBA loan on January 11, 2024 and was qualified for partial loan forgiveness of $20,000.

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

The Company had no capital transactions during the year ended September 30, 2023.

During the year ended September 30, 2022, the Company had the following capital transactions:

- In June 2022, the Company issued 100,000 common shares on exercise of stock options at a price of $0.25 per share for total proceeds of $25,000.

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.

(In Canadian Dollars, unless otherwise stated)

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

	Number of shares	Weighted average exercise price
		$
Outstanding, September 30, 2021	3,170,000	0.28
Granted	950,000	0.13
Exercised	(100,000)	0.25
Expired	(280,500)	0.06
Forfeited	(130,500)	0.05
Outstanding, September 30, 2022 and 2023	3,609,000	0.27
Exercisable, September 30, 2023	3,609,000	0.27

The following table summarizes the information of outstanding and exercisable share options as of September 30, 2023.

Grant Date	Expiry Date	Exercise Price	Number of Options	Exercisable
July 24, 2020	July 23, 2030	$0.25	1,539,000	1,539,000
July 24, 2020	July 23, 2030	$0.46	70,000	70,000
July 25, 2021	July 24, 2031	$0.415	1,050,000	1,050,000
September 16, 2022	September 15, 2032	$0.13	950,000	950,000

During the year ended September 30, 2022, 950,000 options were granted to officers, employees and consultants with an exercise price of $0.13 per share. These options vest one year after the grant date with an expiration date on September 15, 2032. No stock options were granted during the year ended September 30, 2023.

The fair value of the options granted in 2022 was $0.10 per share calculated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2022
Stock Price	$0.13
Risk-free interest rate	3.41%
Expected volatility	104%
Expected life (in years)	5
Expected dividend yield	0%

(In Canadian Dollars, unless otherwise stated)

The expected life in years represents the period of time that option granted are expected to be outstanding. The risk-free rate was based on Canada government bonds with a remaining term equal to the expected life of the options.

Earned-out shares

On November 28, 2019, the Company entered into a Common Share Earned-out Agreement (the "Earned-out Agreement") with an employee. Based on the terms of the Earned-out Agreement, the employee will receive 250,500 common shares at a nominal value after four years of service. These shares were valued at $0.25 per share based on the per share price of the Company then completed private placements. The value of shares is amortized over the period of four years. During the year ended September 30, 2023, $15,656 (2022 - $15,656) were recognized as share-based compensation.

d) Share-based compensation

During the years ended September 30, 2023, the Company recognized share-based compensation for stock options and earned-out shares of $106,911 (2022 - $392,080).

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.

During the year ended September 30, 2023 and 2022, assistance from government sources net of related costs in the amount of $54,328 and $146,097 respectively were recorded as other income on the statement of comprehensive loss upon cash receipt.

12. OTHER INCOME

	2023	2022
	$	$
Government grants	54,328	146,097
Consulting income	92,065	-
	146,393	146,097

Government grants mainly consist of grants received under the refundable scientific research and experimental development tax credits ("SR&ED") and CanExport SME Program ("CanExport"), net of related costs.

The consulting income represents consulting services rendered relating to vertical farming.

(In Canadian Dollars, unless otherwise stated)

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2023	2022
	$	$
Canadian statutory tax rate	26.5%	26.5%
Loss before income taxes	(939,484)	(1,451,985)
Income tax expense computed at Canadian statutory rates	(248,963)	(384,776)
Permanent items	28,331	104,189
Temporary differences	37,869	5,646
Tax loss not utilized	182,763	274,941
Income tax expense	-	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. As of September 30, 2023 and 2022, deferred tax benefits of the deductible temporary differences have not been recognized in the consolidated statement of financial position because the probable criteria for the recognition has not been met. The significant components of deferred tax assets are:

	September 30, 2023	**September 30, 2022**
	$	**$**
Deferred tax assets		
Other deductible temporary differences	79,058	36,356
Non-capital losses available for future periods	1,310,010	1,095,320
	1,389,068	1,131,676
Unrecognized deferred tax assets	(1,389,068)	(1,131,676)
Net deferred tax assets	**-**	**-**

(In Canadian Dollars, unless otherwise stated)

As at September 30, 2023, the Company has non-capital losses of approximately $4.8 million available that may be carried forward and applied against future income for Canadian income tax purpose. The non-capital losses expire as follows:

	Total
	$
2039	26,000
2040	2,075,000
2041	995,000
2042	1,037,000
2043	690,000
	4,823,000

The deferred tax assets have not been recognized because it is not determinable that future taxable profit will be available against which the Company can utilize such deferred income tax assets.

14. 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:

	September 30, 2023 Carrying Amount	September 30, 2022 Carrying Amount
	$	$
Assets carried at amortized cost		
Cash and cash equivalents	170,185	534,635
	170,185	534,635
Liabilities carried at amortized cost		
Accounts payable and accrued liabilities	12,696	38,807
Lease obligations	33,912	75,870
Bank loans	60,000	60,000
	106,608	174,677

As at September 31, 2023 and 2022, accounts receivable consists of HST receivable only. The fair values of cash and cash equivalents, accounts payable and accrued liabilities (excluding taxes payable) and bank loans approximated carrying values as at the reporting date due to the short-term maturities of these instruments. For lease obligations, fair value approximates their carrying value at the reporting date as the interest rates used to discount the host contracts approximate market rates.

15. 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 purpose 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 September 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. As of September 30, 2023 and 2022, the Company does not have material accounts payable balance denominated in US dollars.

16. 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:

(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 September 30, 2023, the Company had a working capital of $106,186 and loans payable of $60,000.

17. 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 years ended September 30, 2023 and 2022, the Company only has one operating segment in accordance with IFRS 8 Operating Segments.

18. 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.

19. SUBSEQUENT EVENT

Subsequent to the year ended September 30, 2023, the Company repaid $60,000 CEBA loan on January 11, 2024 and was qualified for partial loan forgiveness of $20,000 (see Note 9).