



MARY AGROTECHNOLOGIES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2023

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

February 22, 2024

This Management's Discussion and Analysis ("MD&A") presents management's analysis of the consolidated financial position and financial performance for the three months ended December 31, 2023 of Mary Agrotechnologies Inc. ("Mary AG"), its 100% owned subsidiary Shanghai Moquan Agrotechnologies Co., Ltd. ("Shanghai Moquan"). Collectively, Mary AG 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 months ended December 31, 2023 and 2022, and audited annual consolidated financial statements for the years ended September 30, 2023 and 2022, 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

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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.

1. DESCRIPTION OF BUSINESS

On a mission to bring food self-sufficiency to every community on this planet, Mary Agrotechnologies

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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

- 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

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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.
- In January, 2024, the Company made the decision to discontinue the product line of grow box after having thoroughly considered the product market performance and the company's strategic vision for future development.

Business Objectives

For the financial year ending September 30, 2024, the primary objective business objectives for the Company are to:

- (a) Continue to develop vertical farming systems;
- (b) deploy vertical farming solutions;
- (c) refine technology and create further intellectual property;
- (d) obtain equity financing to fund business development.; and
- (e) seek new business opportunities.

3. OVERALL PERFORMANCE

During the three months ended December 31, 2023, the Company generated sales revenue of \$16,249 as compared to \$16,098 for the same period of the prior year.

The gross margin for the three months ended December 31, 2023 was \$1,690 or 10.4% as compared to \$2,564 or 15.9% for the same period of the prior year. The decrease in gross margin was mainly due to the increase in costs of shipping to customers.

Operating expenses were \$125,561 for the three months ended December 31, 2023 as compared to \$182,784 for the same period of the prior year. The 31% decrease in operating expenses during the three months ended December 31, 2023 was primarily driven by reductions in the share-based compensation, office and administrative expenses and research and development expenses.

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Net losses were \$123,871 for the three months ended December 31, 2023 as compared to \$180,429 for the same period of the prior year. The decrease in loss was primarily due to the reduction in operating expenses.

Basic and diluted loss per share was \$nil for the three months ended December 31, 2023 and 2022.

During the three months ended December 31, 2023 and 2022, the Company was mainly relied on the proceeds from equity financing to fund its activities and meet its ongoing working capital requirements.

4. DISCUSSION OF OPERATIONS

Revenue

During the three months ended December 31, 2023, the Company generated a total revenue of \$16,249 as compared to \$16,098 for the same period of the prior year. The cost of revenue was \$14,559 for the three months ended December 31, 2023 as compared to \$13,534 for the same period of the prior year. The cost of revenue included warranty costs of \$nil (2022: \$1,064).

Shipping costs of \$6,162 were charged to the cost of revenue for the quarter ended December 31, 2023 (2022: \$4,875). The increase in the shipping costs were associated with the international shipments.

The gross margin for the three months ended December 31, 2023 was \$1,690 or 10.4% as compared to \$2,564 or 15.9% for the same period of the prior year. The decrease in gross margin was mainly due to the increase in costs of shipping to customers.

Operating expenses

The following is the breakdown of the operating expenses for the three months ended December 31, 2023 and 2022:

	Three months ended December 31, 2023	Three months ended December 31, 2022
Operating Expenses	\$	\$
Professional and consulting fees	40,475	38,503
Amortization	11,333	16,102
Accretion	382	918
Marketing and business development	165	450
Office and administrative	18,226	36,315
Research and development	-	8,023
Share-based compensation	2,488	27,171
Wages and salaries	52,492	55,302
Total	125,561	182,784

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Professional and consulting fees

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

For the three months ended December 31, 2023, the Company incurred professional fees of \$40,475 as compared to \$38,503 for the same period of the prior year. The increase was due to part of the annual audit fees were paid in the quarter.

Amortization

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

For the three months ended December 31, 2023, the Company incurred amortization expenses of \$11,333 as compared to \$16,102 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 December 31, 2023, the Company incurred \$382 in accretion expenses as compared to \$918 for the same period of the prior year. The decrease of the accretion expenses reflects decreased lease liabilities. The total lease liabilities as at December 31, 2023 was \$22,751 as compared to \$65,688 as at December 31, 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 December 31, 2023, the Company incurred marketing and business development expenses of \$165 as compared to \$450 for the same period in the prior year.

Office and administrative

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For the three months ended December 31, 2023, the Company incurred office and administrative expenses of \$18,226 as compared to \$36,315 for the same period in the prior year. The decrease was mainly due the reduction on market making service, listing and filing expenses, computer softwares and office expenses.

Research and development

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

For the three months ended December 31, 2023, the research and development expenses were \$nil as compared to \$8,023 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 December 31, 2023, the Company incurred share-based compensation expenses of \$2,488 as compared to \$27,171 for the same period of the prior year. The decrease in share-based compensation was mainly due to no stock options were granted since September 2022.

Wages and salaries

For the three months ended December 31, 2023, wages and salaries expenses were \$52,492 as compared to \$55,302 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			
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
	\$	\$	\$	\$
Revenue	16,249	8,471	11,239	14,106
Net loss	(127,831)	(559,949)	(123,744)	(75,362)
Basic and diluted loss per share	(0.003)	(0.013)	(0.003)	(0.002)
Weighted average number of common shares outstanding – basic and diluted	43,227,924	43,227,924	43,227,924	43,227,924

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	For the quarters ended			
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
	\$	\$	\$	\$
Revenue	16,098	7,504	33,235	26,082
Net loss	(180,429)	(227,155)	(363,451)	(419,649)
Basic and diluted loss per share	(0.004)	(0.0005)	(0.0008)	(0.01)
Weighted average number of common shares outstanding – basic and diluted	43,227,924	43,159,157	43,152,100	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)	December 31, 2023	September 30, 2023
Current ratio ⁽¹⁾	1.0 : 1.0	1.9 : 1.0
Cash and cash equivalents	74,667	170,185
Working capital ⁽²⁾	(3,864)	106,186

(1) Current ratio is current assets divided by current liabilities.

(2) Working capital is current assets minus current liabilities

Cash Position

The Company's cash balance was \$74,667 as at December 31, 2023, representing a decrease of \$95,518 as compared to \$170,185 as at September 30, 2023. The decrease in cash was mainly driven by payments for operating activities.

	Three months ended December 31, 2023	Three months ended December 31, 2022
	\$	\$
Cash used in operating activities	(83,974)	(101,949)
Cash used in financing activities	(11,544)	(11,100)
Decrease in cash and cash equivalents	(95,518)	(113,049)

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The Company's operational activities during the three months ended December 31, 2023 were mainly financed by equity financing. As at December 31, 2023, the Company had current asset of \$95,865 compared to \$227,417 as at September 30, 2023.

Working Capital

The Company had a working capital of negative \$3,864 as at December 31, 2023 as compared to a working capital of \$106,186 as at September 30, 2023, representing a decrease of working capital of \$110,050. The decrease in working capital for the three months ended December 31, 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 December 31, 2023.

	Total	Due by period			
		Less than one year	1 - 3 years	4 - 5 years	After 5 years
	\$	\$	\$	\$	\$
Bank loans	60,000	60,000	-	-	-
Accounts payable and accruals	6,137	6,137	-	-	-
Lease obligations	22,751	22,751	-	-	-
Total	88,888	88,888	-	-	-

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

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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 months ended December 31, 2023 and 2022 were as follows:

	Three months ended December 31, 2023	Three months ended December 31, 2022
	\$	\$
Salaries, consulting fees and short-term employee benefits	33,000	33,000
Share-based compensation	-	7,212
	<u>33,000</u>	<u>40,212</u>

9. SUBSEQUENT EVENT

Subsequent to the quarter ended December 31, 2023, the Company repaid \$60,000 CEBA loan on January 11, 2024 and was qualified for partial loan forgiveness of \$20,000.

10. 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:

	December 31, 2023 Carrying Amount	September 30, 2023 Carrying Amount
	\$	\$
Assets carried at amortized cost		
Cash and cash equivalents	74,667	170,185
	<u>75,667</u>	<u>170,185</u>
Liabilities carried at amortized cost		
Accounts payable and accrued liabilities	6,137	12,696
Lease obligations	22,751	33,912
Bank loans	60,000	60,000
	<u>88,888</u>	<u>106,608</u>

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As at December 31, 2023 and September 31, 2023, 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 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 December 31, 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 December 31, 2023, the Company does not have material accounts payable balance denominated in US dollars (September 30, 2023 - \$nil).

11. CAPITAL RESOURCES

As at December 31, 2023, the Company had cash and cash equivalents of \$74,667.

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 December 31, 2023, the Company had a working capital of negative \$3,864 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 2024.

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.

12. 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.

13. OFF-BALANCE SHEET TRANSACTIONS

The Company has no off-balance sheet agreements as at December 31, 2022 or as of the date of this MD&A.

14. 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.

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:

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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.

Significant accounting judgments

- 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.

15. 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

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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 ICFR

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.

16. 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, 2023.

A number of new standards, amendments to standards and interpretations are not yet effective for the three months ended December 31, 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.

17. STAFF NOTICE 51-352 DISCLOSURE

The Company currently sells growing devices, and plans to engage in vertical farming of hemp in China. 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.

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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

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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 three months ended December 31, 2023 and 2022, sales to the U.S. represented 56.44% and 99.29% 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

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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.