SCOPE CARBON CORP.

(Formerly Puffin Capital Ltd.)

Financial Statements
For the Years Ended September 30, 2022 and 2021
(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

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

Opinion
We have audited the financial statements of **Scope Carbon Corp.** (the "Company"), which comprise the statements of financial position as at September 30, 2022 and 2021, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Mao & Ying LLP

Vancouver, Canada,
January 25, 2023

Chartered Professional Accountants

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

	Note	September 30, 2022	September 30, 2021
Assets			
Current			
Cash		193,995	1
Other receivables		20,795	144
Investment	**5**	1,001,638	-
Prepaid expenses		-	10,000
		1,216,428	10,145
Liabilities			
Current			
Accounts payable and accrued liabilities		129,708	159
Loan payable	**6**	-	10,000
		129,708	10,159
Shareholders' Equity			
Share capital	**7**	1,283,390	1
Reserves	**7**	172,410	-
Deficit		(369,080)	(15)
		1,086,720	(14)
		1,216,428	10,145

Nature of operations and going concern (Note 1)
Subsequent events (Note 14)

Approved and authorized on behalf of the Board of Directors on January 25, 2023

"Darien Lattanzi" Director "Alan Tam" Director

The accompanying notes are an integral part of these financial statements

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

	Note	September 30, 2022	September 30, 2021
		$	$
Administration expenses			
Advertising and promotion		36,608	-
Bank charges		955	-
Consulting fees	8	35,000	-
Currency exchange		2,066	-
Filing and transfer agent fees		64,383	-
Interest expense		-	1,906
Office expenses		1,552	-
Professional fees		215,675	3,000
Research and development		8,746	-
Travel and entertainment		7,444	-
		(372,429)	(4,906)
Other items			
Interest income	5	1,638	-
Other income on forgiveness of loans payable	8	1,726	-
Net loss before taxes		(369,065)	(4,906)
Income tax recovery	10	-	428
Net loss and comprehensive loss		(369,065)	(4,478)
Basic and diluted net loss per share		(0.02)	(4,478)
Weighted average number of shares outstanding		17,529,590	1

The accompanying notes are an integral part of these financial statements

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

	Share Capital Number	Share Capital $	Reserves $	Deficit $	Total $
Balance, September 30, 2020	1	1	-	4,463	4,464
Net loss for the year	-	-	-	(4,478)	(4,478)
Balance, September 30, 2021	**1**	**1**	**-**	**(15)**	**(14)**
Receipts of private placement funding	26,500,000	645,500	-	-	645,500
Less: Issue costs - cash	-	(10,708)	-	-	(10,708)
Receipts of initial public offering	10,500,000	1,050,000	-	-	1,050,000
Less: Issue costs - cash	-	(228,993)	-	-	(228,993)
Less: Issue costs - warrants	-	(172,410)	172,410	-	-
Net loss for the year	-	-	-	(369,065)	(369,065)
Balance, September 30, 2022	**37,000,001**	**1,283,390**	**172,410**	**(369,080)**	**1,086,720**

The accompanying notes are an integral part of these financial statements

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

	September 30, 2022	September 30, 2021
	$	$
Operating activities		
Net loss for the year	(369,065)	(4,478)
Items not affecting cash		
Interest income	(1,638)	-
Gain on forgiveness of advance payable	(1,726)	-
	(372,429)	(4,478)
Changes in non-cash operating working capital		
Other receivables	(20,651)	(144)
Prepaids	10,000	(10,000)
Account payables and accrued liabilities	129,549	(23,608)
Cash used in operating activities	(253,531)	(38,230)
Investing activities		
Investment in GIC	(1,000,000)	-
Short term loan receivable	-	28,230
Cash (used in) from investing activities	(1,000,000)	28,230
Financing activities		
Loan proceeds	17,414	10,000
Repayment of loan	(688)	-
Gross proceeds from private placements	620,500	-
Gross proceeds from Initial Public Offering	1,050,000	-
Share issue costs	(239,701)	-
Cash from financing activities	1,447,525	10,000
Increase in cash and cash equivalents	193,994	-
Cash - Beginning	1	1
Cash - Ending	193,995	1

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Scope Carbon Corp. ("the Company") was incorporated under the Company Act of British Columbia on June 20, 2018 as Puffin Capital Ltd., and on February 11, 2022 the Company changed its name to Scope Carbon Corp. The Company has acquired and is continuing to develop Artificial Intelligence ("AI") analytical software and intellectual property for use in analyzing data related to nature-based objects (e.g. forests, wetlands and other areas) as it relates to carbon credit certification. The Company's current business plan is to enable large volumes of object-based data to be converted into digestible data that carbon credit experts and others are able to use to verify characteristics of trees, wetlands and other areas. The Company completed an initial public offering in September 2022 (Note 7) and its common shares commenced trading on the Canadian Securities Exchange ("CSE") under the ticker symbol of "SCPE" since September 2022.

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

In March 2020, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and specifically, the regional economies in which the Company operates. The Company continues to operate its business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in future periods.

These financial statements have been prepared on the going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

As at September 30, 2022, the Company had an accumulated deficit of $369,080 and has not generated any revenues since incorporation. The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its general operating expenses and to continue to implement its current business plan. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These factors 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 discharge its liabilities in the normal course of business. These financial statements do not reflect the adjustments that may be necessary to be made to the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

a) Basis of presentation and statement of compliance

These financial statements have been presented in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRICs") as issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared on a going concern basis, under the historical cost convention. In addition, these financial statements have been prepared using the accrual basis of accounting except for certain cash flow information.

2. BASIS OF PRESENTATION (continued)

a) Basis of presentation and statement of compliance(continued)

These financial statements have been prepared on a historical cost basis except for some financial instruments classified in accordance with measurements standards under IFRS. These financial statements are presented in Canadian dollars unless otherwise specified.

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions on the primary economic environment in which the entity operates. The functional and presentation currency of the Company is the Canadian dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are as follows:

a) Financial instruments

Recognition and Classification

The Company recognized a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company classified cash and investment as FVTPL, other receivables (excluding GST receivable), accounts payable and accrued liabilities and loan payable as amortized cost.

Measurement

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company’s own credit risk will be recognized in other comprehensive income (loss).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

Measurement (continued)

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Impairment of financial assets 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.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets, is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Share capital

Common shares and warrants are classified as equity instruments. Transaction costs directly attributable to the issuance of common shares and warrants are recognized as a deduction from equity.

Warrants included in units offered to subscribers as part of corporate financings are bifurcated based on the residual approach being allocating the cash proceeds first to the share capital with the balance to warrants and are presented in contributed surplus in shareholders' equity.

Warrants issued to agents or brokers on a non-cash basis in connection with corporate financings are recorded at fair value using the Black-Scholes option pricing model and charged against share capital as issue costs with an offsetting increase to contributed surplus.

c) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to the basic loss per share as the outstanding options and warrants are anti-dilutive.

d) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' results are reviewed by the Company's management in order to make decisions regarding the allocation of resources to the segment. Segment results include items directly attributable to a segment as those that can be allocated on a reasonable basis.

e) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Income tax(continued)

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.

f) Accounting standard 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, 2022 and have not been applied in preparing these financial statements. None of these pronouncements are expected to have material impact on the Company's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the period of the change, if the change affects that period only; in the period of the change and future periods, if the change affects both.

a) Critical Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future financing and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

b) Key Sources of Estimation Uncertainty

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

Income taxes

Significant estimate is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

5. INVESTMENT

During the year ended September 30, 2022, the Company purchased the Prime-Linked Cashable GIC, issued by the Royal Bank of Canada for $1,000,000 (for the year ended September 30, 2021 - $Nil). The maturity date is September 7, 2023, with anticipated interest of $26,000. The balance of Investment at September 30, 2022 includes an accrued interest of $1,638.

6. LOAN PAYABLE

During the year ended September 30, 2022, the Company received an additional loan of $15,000 (2021 - $10,000) in the form of service fee paid in advance on behalf of the Company. The promissory note is non-interest bearing and has a term of one year. The loan balance totalling $25,000 was settled on February 11, 2022 as part consideration of 2,200,000 units issued in connection with 15,900,000 units private placement (Note 7).

7. SHARE CAPITAL

Authorized

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

Issued share capital

As at September 30, 2022, there were 37,000,001 (September 30, 2021 – 1) issued and fully paid common shares.

a) Financings

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

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

a) Financings(continued)

On February 11, 2022, the Company closed a non-brokered private placement for the issuance of 15,900,000 units at a price of $0.02 per unit for aggregate gross proceeds of $318,000. Each unit is comprised of one common share and one half of one common share purchase warrant, resulting in 7,950,000 warrants being issued as part of the private placement. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.20 per share for a period of two years, expiring February 11, 2024. The Company allocated all the proceeds to the share capital and no amounts were allocated the warrants by applying the residual approach.

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

On September 2, 2022, the Company completed its initial public offering of 10,500,000 common shares at a price of $0.10 per share for aggregate gross proceeds of $1,050,000. Research Capital Corporation acted as agent in respect of the IPO. Pursuant to the IPO, the agent received a cash commission of $105,000 and an aggregate of 1,050,000 warrants entitling the agent and members of its selling group to purchase 1,050,000 shares at $0.10 for a period of two years, expiring September 2, 2024. The fair value of the Agent warrants was $172,410 estimated using the Black-Scholes options pricing model with the following assumptions: risk-free rate – 3.55%; expected life – 2 years; expected volatility – 281%; forfeiture rate – Nil and expected dividends – $Nil. Volatility was estimated by using the historical volatility of other companies in the same industry during the similar period. The Agent also received a corporate finance fee of $35,000 plus applicable taxes.

b) Share purchase warrants

The balance of warrants outstanding as at September 30, 2022 and the changes for the year then ended are as follows:

	Number of warrants	Weighted average exercise price ($ per share)	Weighted average remaining life (years)
Balance - September 30, 2021	-	-	-
Issued	9,000,000	0.19	-
Balance - September 30, 2022	9,000,000	0.19	1.44
Exercisable, September 30, 2022	9,000,000	0.19	1.44

The following table summarizes information concerning outstanding warrants as at September 30, 2022:

Expiry date	Exercise price $	Remaining life (years)	Warrants outstanding	Exercisable
February 11, 2024	0.20	1.37	7,950,000	7,950,000
September 2, 2024	0.10	1.93	1,050,000	1,050,000
			9,000,000	9,000,000

8. RELATED PARTY TRANSACTIONS

Related party transactions have been measured at the exchange amount of consideration agreed between the related parties. Related party transactions not disclosed elsewhere in these financial statements are listed below.

At September 30, 2022, there were no related party balances outstanding (September 30, 2021 - $Nil).

During the year ended September 30, 2022, the Company received an advance of $2,414, from a director of the Company. On December 31, 2021, the Company repaid part of the advance in the amount of $688. This advance was non-interest bearing and the remaining balance of $1,726 was forgiven.

During the year ended September 30, 2022, the Company incurred $18,000 (2021 - $Nil) of consulting fee charges to an officer who is also the director of the Company.

A director of the Company is also the Trustee to the Prescott Family Foundation, the counterparty to the Technology Acquisition Agreement (See Note 12).

Key management personnel comprise the Company's Board of Directors and executive officers. No other remuneration was paid to key management personnel during the years ended September 30, 2022 and 2021 other than as indicated above.

9. FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

- Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities. The Company's cash is carried at fair value using Level 1 inputs.

- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

- Level 3 – Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company believes that the carrying values of its financial instruments, being cash, short-term loans receivable and loan payable, approximate their fair values because of their nature and relatively short maturity dates or durations.

9. FINANCIAL INSTRUMENTS (continued)

b) Management of risks arising from financial instruments

Discussions of risks associated with financial assets and liabilities are detailed below:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash held by the Company. The maximum exposure to credit risk is equal to the carrying value of the financial assets as disclosed in the statements of financial position. The credit risk related to cash is considered minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay its financial liabilities as they come due. The Company manages liquidity risk by maintaining sufficient cash to enable settlement of transactions as they come due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained. As at September 30, 2022, the Company had a working capital of $1,086,720.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to material interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Company conducts its business in Canada, and its expenditures are primarily incurred in Canadian dollars, and is therefore not exposed to significant foreign currency risk.

(Expressed in Canadian Dollars)

10. INCOME TAXES

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

	September 30, 2022	September 30, 2021
Statutory tax rate	27%	27%
	$	$
Net income (loss) before tax	(369,065)	(4,906)
Expected income tax (recovery)	(99,648)	(1,325)
Non-deductible expenses	-	296
Small business deduction	-	1,029
Tax loss carry forward (utilized)	112,591	(428)
Deductible temporary differences	(12,943)	-
Total income tax expense (recovery)	**-**	**(428)**

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position are as follows:

	September 30, 2022	September 30, 2021
	$	$
Deferred tax assets (liabilities)		
Non-capital losses available for future periods	112,591	-
	112,591	-
Unrecognized deferred tax assets	(112,591)	-
Net deferred tax assets	**-**	**-**

As at September 30, 2022, the Company has approximately $417,000 non-capital losses expiring in 2042, that are available to shelter income in future years. The net benefit related to the future tax assets is not recognized for the due to the uncertainty associated with the ultimate realization of the non-capital losses.

11. SEGMENTED INFORMATION

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

(Expressed in Canadian Dollars)

12. SUPPLEMENT CASH FLOW INFORMATION

	September 30, 2022	**September 30, 2021**
	$	**$**
Interest income	1,638	-
Issue costs - warrants	172,410	-
Gain on forgiveness of loans payable	1,726	-
Shares issued for settlement of loan payable	25,000	-

13. TECHNOLOGY ACQUSITION AGREEMENT

On February 15, 2022, the Company entered in a Technology Acquisition Agreement (the "Technology Agreement") with the Prescott Family Foundation (the "Foundation"). The Foundation has developed and is the owner of the Image Recognition Technology to be used by the Company in the development of its business plan. The Company acquired the exclusive right to use and exploit the Image Recognition Technology.

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

- 250,000 common shares on the later of completion of expenditures of $250,000 or by February 15, 2023.
- An additional 250,000 common shares on the later of completion of expenditures of $600,000 or by February 15, 2024.
- An additional 250,000 common shares on the later of the Company generating revenue of $250,000 or by February 15, 2025.
- An additional 250,000 common shares on the later of the Company generating revenue of $500,000 or by February 15, 2026.

(together, the "Consideration Shares")

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

The Company has concluded the Technology Acquisition Agreement is an asset acquisition and has elected to account for the contingent consideration when the conditions associated with the contingency are met. Therefore, no amount was recorded associated with the Technology Acquisition Agreement as at September 30, 2022.

14. SUBSEQUENT EVENTS

On October 1, 2022, the Company entered into a product development agreement with Marsman Limited ("Marsman") for the development of the Scope Analysis Platform. The product development agreement has a term of twelve months, renewing annually unless a written notice a termination has been delivered to the counter-party at least thirty (30) days prior to the expiration of the term. In accordance with the product development agreement, the Company shall pay Marsman monthly fees of CNY$160,000.

On October 3, 2022, the Company granted a total of 1,500,000 stock options to directors, officers, and advisors of the Company to acquire common share of the Company at a price of $0.60 per share expiring in 5 years from the date of grant. These stock options are subject to vesting terms defined in the Company stock option general plan.

On October 28, 2022, the Company entered into an investor relations agreement with Maynard Communication Limited ("Maynard") for the provision of investor relations services. In accordance with the investor relations agreement, the Company has agreed to pay monthly fees of $16,666 to Maynard.