



Mary Agrotechnologies Inc.

Condensed Interim Consolidated Financial Statements

For the Three Months Ended December 31, 2021 and 2020

(Unaudited)

Mary Agrotechnologies Inc.

Three months ended December 31, 2021 and 2020

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NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Mary Agrotechnologies Inc. for the interim period ending December 31, 2021 have been prepared by management in accordance with International Financial Reporting Standards and approved by the Audit Committee and Board of Directors of the Company. These unaudited condensed interim consolidated financial statements have not been reviewed by the Company's independent auditor.

Mary Agrotechnologies Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited – Expressed in Canadian Dollars)

	December 31, 2021	September 30, 2021
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalent	1,284,033	1,744,103
Prepaid expenses and deposits	112,882	105,356
Inventory (note 5)	310,726	269,768
Accounts receivable	80,518	56,985
	<u>1,788,159</u>	<u>2,176,212</u>
Non-current Assets		
Property and equipment (note 6)	<u>234,408</u>	<u>253,721</u>
TOTAL ASSETS	<u>2,022,567</u>	<u>2,429,933</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	147,711	217,624
Customers advances	15,937	37,813
Current portion of lease obligations (note 8)	59,998	58,338
	<u>223,646</u>	<u>313,775</u>
Non-Current Liability		
Non-current portion of lease obligations (note 8)	32,341	48,035
Bank loans (note 9)	60,000	60,000
TOTAL LIABILITIES	<u>315,987</u>	<u>421,810</u>
SHAREHOLDERS' EQUITY		
Share capital (note 10)	5,345,412	5,345,412
Contributed surplus	691,481	551,353
Deficit	(4,330,313)	(3,888,641)
TOTAL SHAREHOLDERS' EQUITY	<u>1,706,580</u>	<u>2,008,124</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>2,022,567</u>	<u>2,429,933</u>

Nature of operations (note 1)

Approved on behalf of the Board

"Chuhan Qin"
Chuhan Qin, Director

"Ying Xu"
Ying Xu, Director

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

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

	Three months ended December 31,	
	2021	2020
	\$	\$
Revenue	55,114	27,415
Cost of revenue	(54,719)	(42,604)
Gross profit (loss)	395	(15,189)
Professional fees	17,805	21,350
Amortization (note 6)	19,313	18,673
Accretion (note 8)	2,034	3,085
Marketing and business development	122,294	10,455
Office and administrative	54,896	30,719
Research and development (note 11)	23,802	27,157
Share-based compensation (note 7,10)	140,128	125,297
Travel and entertainment	11,373	12,528
Wages and salaries (note 7)	159,988	169,143
	551,633	418,407
LOSS BEFORE OTHER ITEMS	(551,238)	(433,596)
OTHER ITEMS		
Foreign exchange gain (loss)	51	(12,909)
Interest income	261	364
Other income (note 12)	109,254	9,061
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(441,672)	(437,080)
Basic and Diluted Loss per Common Share	(0.01)	(0.01)
Weighted Average Number of Common Shares Outstanding	43,127,924	38,081,148

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

Mary Agrotechnologies Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited - Expressed in Canadian Dollars)

	Number of common shares	Share capital	Contributed surplus	Deficit	Total shareholders' equity
		\$	\$	\$	\$
Balance, September 30, 2020	36,256,457	2,328,694	149,003	(2,339,143)	138,554
Share issued from private placement	4,241,467	1,784,408	-	-	1,784,408
Share-based compensation	-	-	125,297	-	125,297
Net loss for the period	-	-	-	(437,080)	(437,080)
Balance, December 31, 2020	40,497,924	4,113,102	274,300	(2,776,223)	1,611,179
Balance, September 30, 2021	43,127,924	5,345,412	551,353	(3,888,641)	2,008,124
Share-based compensation	-	-	140,128	-	140,128
Net loss for the period	-	-	-	(441,672)	(441,672)
Balance, December 31, 2020	43,127,924	5,345,412	691,481	(4,330,313)	1,706,580

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

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

	Three months ended December 31,	
	2021	2020
	\$	\$
Cash provided by (used in) operating activities		
Net loss for the period	(441,672)	(437,080)
Items not involving cash:		
Accretion	2,034	3,085
Share-based compensation	140,128	125,297
Amortization	19,313	18,673
Inventory write-down	3,157	-
Changes in non-cash working capital:		
Inventory	(44,115)	24,748
Accounts receivable	(23,532)	(9,098)
Accounts payable and accrued liabilities	(69,913)	16,436
Customer advances	(21,876)	(6,142)
Prepaid expenses	(7,526)	(5,000)
Due to a related party	-	(57,147)
Net cash used in operating activities	(444,002)	(326,228)
Cash provided by (used in) investing activities		
Purchase of property and equipment	-	(13,124)
Net cash used in investing activities	-	(13,124)
Cash provided by (used in) financing activities		
Lease payments	(16,068)	(15,600)
Proceeds from private placements	-	1,784,408
Proceeds from bank loan	-	20,000
Net cash (used in) provided by financing activities	(16,068)	1,788,808
(Decrease) increase in cash and cash equivalents	(460,070)	1,449,456
Cash and cash equivalent, beginning of period	1,744,103	144,731
Cash and cash equivalent, end of period	1,284,033	1,594,187

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

Mary Agrotechnologies Inc.
Notes to the Condensed Interim Consolidated Statements
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1. NATURE OF OPEARTIONS

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

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

2. BASIS OF PRESENTAITON

a) Statement of compliance

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

These condensed interim consolidated financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited financial statements for the year ended September 30, 2021. These condensed interim consolidated financial statements do not include all the disclosures required for the annual audited financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended September 30, 2021. The Company’s interim results are not necessarily indicative of its results for a full year.

These condensed interim consolidated financial statements are authorized for issue by the Board of Directors on February 22, 2022.

b) Novel Coronavirus (COVID-19)

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

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reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

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

c) Basis of preparation

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

d) Basis of consolidation

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

As of December 31, 2021, the following entities are controlled by the Company. These entities have no material transactions for the period from the inception to December 31, 2021.

Entity	Location	Ownership	Basis of accounting
Mary Agrotechnologies Hong Kong Limited ("Mary HK") ⁽¹⁾	China	100%	Consolidated
Yunnan Moquan Agrotechnologies Limited ("Yunnan Moquan") ⁽²⁾	China	75%	Consolidated

(1) The Company is in the process of dissolving Mary HK and expects Mary HK will be fully dissolved in early 2022.

(2) Owned through Mary HK until August 6, 2021. Currently, Yunnan Moquan is directly owned by the Company.

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3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited financial statements for the year ended September 30, 2021.

a) New standards adopted in the reporting period

No new and revised accounting standard was adopted by the Company for annual periods beginning on October 1, 2021.

b) Accounting standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the three months ended December 31, 2021 and have not been applied in preparing these consolidated financial statements. None of these pronouncements are expected to have material impact on the Company's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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.
- Stock based compensation - In estimating fair value of options using the Black-Scholes option pricing model, management is required to make certain assumptions such as the expected life of options, volatility of the Company's future share price, risk free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions

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used to estimate fair value could result in materially different results. In order to estimate volatility, the Company uses companies with similar characteristics that have prices quoted on an active exchange.

Significant accounting judgments

- The Company has projected 2022 cash flows that are sufficient to cover its ongoing operating expenditures, meet its liabilities for the ensuing year. The future cash flows projection involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In addition, the Company's business could be significantly adversely affected by the effects of the recent outbreak of COVID-19.
- Determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts and therefore do not necessarily provide certainty as to their recorded values.
- Research and development expenditures - The application of the Company's accounting policy for research and development expenditures requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

5. INVENTORY

As at December 31, 2021, the Company has inventories valued at \$310,726 (September 30, 2021 - \$269,768). There was a \$3,157 write-down of inventories recognized in the cost of revenue for the three ended December 31, 2021 (2020 -\$nil). There was no reversal of write-down of inventories for the three months ended December 31, 2021 (2020 -\$nil)

	December 31, 2021	September 30, 2021
	\$	\$
Raw materials and work-in-progress	20,806	45,940
Finished products in transit	86,524	143,490
Finished products	203,396	80,338
	<u>310,726</u>	<u>269,768</u>

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6. PROPERTY AND EQUIPMENT, NET

	Computer and peripheral equipment	Office furniture and equipment	Mold & production Equipment	Right-of- use asset	Total
	\$	\$	\$	\$	\$
COST					
Balance, September 30, 2020	8,008	2,287	147,655	170,701	328,651
Additions	6,219	-	22,899	-	29,118
Balance, September 30, 2021	14,227	2,287	170,554	170,701	357,769
Balance, December 31, 2021	14,227	2,287	170,554	170,701	357,769
ACCUMULATED AMORTIZATION					
Balance, September 30, 2020	4,969	528	9,449	14,223	29,169
Additions	1,955	229	15,793	56,902	74,879
Balance, September 30, 2021	6,924	757	25,242	71,125	104,048
Additions	767	57	4,264	14,225	19,313
Balance, December 31, 2021	7,691	814	29,506	85,350	123,361
CARRYING VALUE					
Balance, September 30, 2021	7,303	1,531	145,311	99,576	253,721
Balance, December 31, 2021	6,536	1,473	141,048	85,351	234,408

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.

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, 2021 and 2020 were as follows:

	Three months ended December 31, 2021	Three months ended December 31, 2020
	\$	\$
Salaries, consulting fees and short-term employee benefits	53,000	69,981
Share-based compensation	109,438	22,556

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8. LEASE OBLIGATIONS

A summary of the lease obligations is listed below.

	December 31, 2021	September 30, 2021
	\$	\$
Balance, beginning of the period	106,373	158,434
Accretion	2,034	10,807
Lease payments	(16,068)	(62,868)
Balance, end of the period	92,339	106,373
Current portion of lease obligations	59,998	58,338
Non-current portion of lease obligations	32,341	48,035

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

	December 31, 2021	September 30, 2021
	\$	\$
Within 1 year	65,236	64,754
Between 1 - 2 years	33,100	49,650
Total undiscounted amount	98,336	114,404
Less: accretion	(5,997)	(8,031)
Total discounted amount	92,339	106,373

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 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.

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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 three months ended December 31, 2021.

During the three months ended December 31, 2020, the Company had the following capital transactions:

- In November 2020, the Company completed an equity financing by issuing 1,666,667 common shares at a price of \$0.36 per share for total gross proceeds of \$600,000.
- In November 2020, the Company completed an equity financing by issuing 2,574,800 common shares at a price of \$0.46 per share for total gross proceeds of \$1,184,408.

c) Stock Options

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

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

	Number of shares	Weighted average exercise price \$	Weighted average remaining contractual life (years)
Outstanding, September 30, 2020	2,120,000	0.22	8.83
Granted	1,050,000	0.415	9.82
Outstanding, September 30, 2021	3,170,000	0.28	8.49
Expired	(500)	0.25	-
Forfeited	(500)	0.25	-
Outstanding, December 31, 2021	3,169,000	0.28	8.24
Exercisable, December 31, 2021	1,114,500	0.21	7.31

Mary Agrotechnologies Inc.
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The following table summarizes the information of outstanding and exercisable share options as of December 31, 2021.

Grant Date	Expiry Date	Exercise Price	Number of Options	Exercisable
March 20, 2019	March 20, 2024	\$ 0.01	330,000	220,000
July 24, 2020	July 23, 2030	\$0.25	1,719,000	859,500
July 24, 2020	July 23, 2030	\$0.46	70,000	35,000
July 25, 2021	July 24, 2031	\$0.415	1,050,000	-

No stock options were granted during the three months ended December 31, 2021 and 2020.

d) Earned-out shares

On November 28, 2019, the Company entered into a Common Share Earned-out Agreement with an employee. Based on the terms of Agreement, the employee will receive 250,500 common shares at a nominal value after four years of services. These shares were valued at \$0.25 per shares. The value of shares is amortized over the period of four years. During the three months ended December 31, 2021, \$3,946 (2020 - \$3,946) were recognized as share-based compensation.

e) Share-based compensation

During the three months ended December 31, 2021, the Company recognized share-based compensation for stock options and earned-out shares in the total amount of \$140,128 (2020 - \$125,297).

11. RESEARCH AND DEVELOPMENT EXPENSES

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

12. OTHER INCOME

	Three months ended December 31,	
	2021	2020
	\$	\$
Government grants	109,254	9,061
	109,254	9,061

Government grants for the three months ended December 31, 2021 and 2020 mainly consist of grants received under the refundable scientific research and experimental development tax credits ("SR&ED") net of related costs.

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13. FINANCIAL INSTRUMENTS

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

	December 31, 2021 Carrying Amount	September 30, 2021 Carrying Amount
	\$	\$
Assets carried at amortized cost		
Cash and cash equivalent	1,284,033	1,744,103
Accounts receivable	13,451	-
	<u>1,297,484</u>	<u>1,744,103</u>
Liabilities carried at amortized cost		
Accounts payable and accrued liabilities	147,711	217,624
Lease obligations	92,339	106,373
Bank loans	60,000	60,000
	<u>300,050</u>	<u>383,997</u>

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

14. RISK MANAGEMENT

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

Credit risk

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

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

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

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

Liquidity risk

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

Currency risk

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

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, 2021, the Company's accounts payable denominated in US dollars was \$16,379 (September 30, 2021 - \$33,282).

15. CAPITAL MANAGEMENT

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

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

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

As at December 31, 2021, the Company had an excess working capital of \$1,564,513 and has long term portion of lease obligation of \$32,341 and bank loans of \$60,000.

16. OPERATING SEGMENT

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

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For the period ended December 31, 2021 and 2020, the Company only has one operating segment in accordance with IFRS 8 Operating Segments.

17. COMPARATIVE FIGURES

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