



Unaudited Interim

Consolidated Financial Statements

For the six-month period ended November 30, 2014 and 2013

(In Canadian dollars, except number of shares)

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**NOTICE TO READERS OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS:**

The unaudited interim financial statements of Affinor Growers Inc. for the six-month period ended November 30, 2014 have not been reviewed by the Company's external auditors.

(s) Sébastien Plouffe,

Président, chief executive officer, Director

(s) Pierre C. Miron

Chief Financial Officer, Director

**AFFINOR GROWERS INC.**  
**Consolidated statement of Financial Position**  
(in Canadian dollars)

	November 30, 2014 (unaudited)	May 31, 2014 (audited)
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	399,414	1,944,644
Other receivables (note 8)	213,789	44,588
Investments (note 12)	276,000	-
Prepaid expenses	57,306	170,613
	<b>946,509</b>	<b>2,159,845</b>
<b>NON CURRENT</b>		
Exploration and evaluation assets (note 9)	1	4
Property equipment (note 10)	1,041,924	5,000
Intangibles assets (note 11)	711,683	-
Investment accounted for using the equity method (note 13)	1,368,911	-
<b>TOTAL ASSETS</b>	<b>4,069,028</b>	<b>2,164,849</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables (note 14)	758,254	249,850
	<b>758,254</b>	<b>249,850</b>
<b>NON CURRENT</b>		
Deferred income	233,425	-
	<b>991,679</b>	<b>-</b>
<b>EQUITY</b>		
Share capital (note 15)	15,085,154	11,948,091
Warrants	704,162	951,093
Accumulated other comprehensive income	(70,050)	-
Contributed surplus	4,676,163	3,588,305
Deficit	(17,318,080)	(14,572,490)
<b>TOTAL EQUITY</b>	<b>3,077,349</b>	<b>1,914,999</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4,069,028</b>	<b>2,164,849</b>

The accompanying notes are an integral part of the consolidated financial statements

**AFFINOR GROWERS INC.**  
**Consolidated Statement of Comprehensive Loss**  
(Unaudited, in Canadian dollars)

	For the Three-Month period ended November 30,		For the six-month period ended November 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>REVENUE</b>				
Sales	48,689	-	95,452	-
<b>EXPENSES</b>				
Registration and information to shareholders	18,399	8,732	40,764	12,091
Professional fees and consulting fees	541,403	10,545	1,034,780	22,310
Employee benefit expenses	27,623	-	94,471	-
Management fees	75,000	31,260	150,000	50,558
Share-based payments	628,451	-	1,222,665	13,557
Amortization	9,451	-	14,821	-
Other operation expenses	89,523	11,559	293,625	23,317
	1,389,850	62,096	2,851,126	121,833
<b>OPERATING LOSS</b>	(1,341,161)	(62,096)	(2,755,674)	(121,833)
Interest on convertible debenture	-	-	-	(20,783)
Loss on dilution from an investment accounted for using the equity method	(16,802)	-	(16,802)	-
Gain on debt settlement	-	-	-	9,545
Gain on disposal of investments	600	-	20,760	-
Other revenue	3,715	41	6,126	72
<b>LOSS BEFORE INCOME TAXES</b>	(1,354,848)	(62,055)	(2,745,590)	(132,999)
Deferred income tax	-	-	-	36,880
<b>NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	(1,354,848)	(62,055)	(2,745,590)	(96,119)
<b>Other comprehensive income (loss)</b>				
Available for sale financial assets	(70,050)	-	(70,050)	-
Net change in faire value for the period	(70,050)	-	(70,050)	-
<b>Total comprehensive loss for the period</b>	(1,424,898)	(62,055)	(2,815,640)	(96,119)
<b>Basic and diluted loss per share</b> (note 18)	(0,021)	(0,002)	(0,044)	(0,003)
Weighted average number of shares in circulation for basic and diluted earnings per share	64,104,926	35,437,262	62,704,399	31,981,884

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

**AFFINOR GROWERS INC.**  
**Consolidated Statement of change in Equity**  
**For the six-month period ended November 30, 2014**  
(Unaudited, in Canadian dollars)

	Number of shares	Share Capital \$	Warrants \$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total Equity \$
<b>Balance as at June 1, 2014</b>	60,953,898	11,948,091	951,093	3,588,305	-	(14,572,490)	1,914,999
License agreement	1,388,888	723,888	-	-	-	-	723,888
Acquisition of 49 % interest on private company	949,613	541,940	-	-	-	-	541,940
Share-based payments	-	-	-	1,222,665	-	-	1,222,665
Options exercised	970,000	294,307	-	(134,807)	-	-	159,500
Consultant and management services	403,554	246,026	-	-	-	-	246,026
Warrants exercised	2,655,000	1,308,931	(246,931)	-	-	-	1,062,001
Brokers warrants exercised	54,925	21,970	-	-	-	-	21,970
Shares cancelled	(2,500,000)	-	-	-	-	-	-
Net change in fair value of Available-for sale financial assets	-	-	-	-	(70,050)	-	(70,050)
Net loss and total comprehensive loss for the period	-	-	-	-	-	(2,745,590)	(2,745,590)
<b>Balance as at November 30, 2014</b>	<b>64,875,878</b>	<b>15,085,154</b>	<b>704,162</b>	<b>4,676,163</b>	<b>(70,050)</b>	<b>(2,745,590)</b>	<b>3,077,349</b>

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

**AFFINOR GROWERS INC.**  
**Consolidated Statement of change in Equity**  
**For the six-month period ended November 30, 2013**  
(Unaudited, in Canadian dollars)

	Number of shares	Share Capital \$	Share Capital subscription received \$	Warrants \$	Contributed surplus \$	Deficit \$	Total Equity \$
<b>Balance as at June 1, 2013</b>	19,655,609	5,552,266	16,500	46,866	633,762	(6,395,687)	(146,293)
Private placement	8,583,333	123,750	(16,500)	-	-	-	112,250
Acquisition of mining properties	985,000	14,775	-	-	-	-	14,775
Debt settlement	6,213,320	348,386	-	-	(186,031)	-	162,355
Expired warrants	-	-	-	(46 866)	46 866	-	-
Share-based payments	-	-	-	-	13 557	-	13 557
Net loss and total comprehensive loss for the period	-	-	-	-	-	(96,119)	(96,119)
<b>Balance as at November 30, 2013</b>	<b>35,437,262</b>	<b>6,044,177</b>	<b>-</b>	<b>-</b>	<b>508,194</b>	<b>(6,491,806)</b>	<b>(60,525)</b>

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

**AFFINOR GROWERS INC.**  
**Consolidated Statement of cash flows**  
(Unaudited, in Canadian dollars)

	For the three-month period ended November 30,		For the six-month period ended November 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net loss	(1,353,648)	(75,612)	(2,745,590)	(96,118)
Sales	(6,575)	-	(6,575)	-
Interest on convertible debenture	-	-	-	20,783
Gain on debt settlement	-	-	-	(9,546)
Loss on dilution from an investment accounted for using the equity method	16,802	-	16,802	-
Net change in working capital (note 18)	457,244	3,841	392,512	(2,342)
Deferred income tax	-	-	-	(36,880)
Other operation expenses	3	-	3	-
Amortization	9,451	-	14,821	-
Consulting and professional fees	35,302	-	246,026	-
Gain on disposal of investments	(600)	-	(20,760)	-
Share-based payment	628,451	13,557	1,222,665	13,557
<b>Cash flows from operating activities</b>	<b>(213,370)</b>	<b>(58,214)</b>	<b>(880,096)</b>	<b>(110,546)</b>
<b>INVESTING ACTIVITIES</b>				
Investments accounted for using the equity method	(843,773)	-	(843,773)	-
Investments	(20,000)	-	(25,290)	-
Property and equipments	(664,737)	-	(1,039,541)	-
Mining properties	-	-	-	(10,365)
<b>Cash flows from investing activities</b>	<b>(1,528,510)</b>	<b>-</b>	<b>(1,908,604)</b>	<b>(10,365)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from issue of share capital	104,000	-	1,243,470	112,250
<b>Cash flows from financing activities</b>	<b>104,000</b>	<b>-</b>	<b>1,243,470</b>	<b>112,250</b>
<b>Net change in cash</b>	<b>(1,637,880)</b>	<b>(58,214)</b>	<b>(1,545,230)</b>	<b>(8,661)</b>
<b>Cash beginning of the period</b>	<b>2,037,294</b>	<b>75,790</b>	<b>1,944,644</b>	<b>26,237</b>
<b>Cash end of the period</b>	<b>399,414</b>	<b>17,576</b>	<b>399,414</b>	<b>17,576</b>

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



## **AFFINOR GROWERS INC.**

### **Notes to financial statements**

**For the six-month periods ended November 30, 2014 and 2013**

**(Unaudited, in Canadian dollars)**

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#### **1. NATURE OF ACTIVITIES**

As of May 23, 2014, Affinor Growers (hereafter "the Company") was specialized in exploration of gold mineral sites located in Canada and South America, since that date, the Company is focusing on the agriculture industry within North America.

In May 2014, the Company decided to change its name to Affinor Growers inc. This decision aims to better reflect the mission of the Company that is to produce strawberries and other crops such as romaine lettuce and herbs and to produce and sell medical marijuana.

#### **2. GOING CONCERN ASSUMPTION**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) on the basis of the assumption of going concern, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Since the Company has not yet found a property that contains economically exploitable mineral deposits, the Company did not generate income or cash flows from operations to date and in light of operating losses incurred this year and in past six-month period, there is a significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon the support of its suppliers and creditors and obtaining additional financing necessary to continue the exploration of its mineral properties and to generate income or cash flows from operations from product and sale of medical marijuana and the other major crops such as romaine lettuce and strawberries. Although the Company has managed to fund its exploration programs in the past, there is no guarantee that it will manage to obtain additional financing in the future.

The carrying amounts of assets and liabilities, revenues and expenses and classification if the going concern assumption was not be appropriate in statement of financial position has not been adjusted as would be requested. These adjustments could be material.

#### **3. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS**

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS).

Affinor Growers inc. is the ultimate parent Company of the group.

Affinor Growers Inc. is incorporated under *Canada business corporation act*. The address of the Company registered office and its principal place of business is 410 St-Nicolas street, suite 236, Montreal, Quebec. Its shares are listed on the Canadian Securities Exchange (CSE), the Frankfurt Stock Exchange and the OTC QB Exchange.

The consolidated financial statements for the reporting six-month period ended November 30, 2014 (including comparatives) were approved and authorized for issue by the Board of Directors on January 29, 2015.

#### **4. CHANGES IN ACCOUNTING POLICIES**

##### **4.1 New and revised standards that are effective**

A number of new and revised standards are effective for annual periods beginning on or after January 1, 2013. Information on new standards that are relevant for the Company is presented below.

##### **IFRS 13 Fair Value Measurement**

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect the items that are required to be fair-valued.

The scope of IFRS 13 is broad and applies for both financial and non-financial items for which other IFRS require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after January 1, 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

Management reviewed its valuation methodologies and the application of the new standard did not have any effect on the fair value measurement.

##### **IFRS 10 Consolidated Financial Statements**

IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* (IAS 27) and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 revises the definition of control and provides extensive new guidance on its application.

These new requirements have the potential to affect which of the Company's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is non effect on the classification (as subsidiaries or otherwise) of any of the Company's investees held during the period or comparative periods covered by these consolidated financial statements.

##### **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

## AFFINOR GROWERS INC.

### Notes to financial statements

For the six-month periods ended November 30, 2014 and 2013

(Unaudited, in Canadian dollars)

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#### 4. CHANGES IN ACCOUNTING POLICIES (continued)

##### 4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company.

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company's consolidated financial statements.

##### IFRS 9 *Financial Instruments* (IFRS 9)

In July 2014, the IASB published IFRS 9 which replaces IAS 39 *Financial Instruments: Recognition and Measurement (IAS)39*. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has yet to assess the impact of this new standard on its consolidated financial statements.

#### 5. SUMMARY OF ACCOUNTING POLICIES

##### 5.1 Overall considerations

The significant accounting policies and measurement bases that have been applied in the preparation of these consolidated financial statements are summarized below.

The Company's financial statements consolidate those of the Company, 0957102 BC Ltd and Affinor Analytics LLC. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company's subsidiaries are 100% owned by Affinor.

All transactions and balances between companies are eliminated upon consolidation, including unrealized gains and losses on transactions between group companies.

Amounts reported in the financial statements of subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

Profit and loss and other comprehensive income of subsidiaries acquired or disposed of during the reporting annual period are recognized from the effective date of the acquisition, or up to the effective date of disposal, as applicable.

##### 5.3 Basis of evaluation

These consolidated financial statements are prepared using the historical cost method.

##### 5.4 Financial Instruments

Assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when extinguishment, termination, cancellation or expiration.

Assets and liabilities are initially measured at fair value plus transaction costs.

Assets and financial liabilities are subsequently measured as described below.

##### Financial assets

For the purpose of subsequent measurement, financial assets are classified in various categories at the time of initial recognition.

The category determines the subsequent measurement method and accounting in either earnings or in other comprehensive income of revenues and expenses. All income and expenses related to financial assets recognized in earnings are presented in the financial expenses or financial products, if applicable.

All the financial assets of the Company are classified as loans and receivables. Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortized cost using the method of effective interest rate, less a provision for impairment. Discounting is omitted if its effect is not significant. Cash and other receivables (except for taxes receivable) fall into this category of instruments Financial.

##### *Impairment of financial assets*

All financial assets except those at fair value through profit or loss are tested for impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that a financial asset or group of financial assets suffered an impairment loss.

Objective evidence of impairment could include:

- Significant financial difficulty on the part of the issuer or obligor;
- A breach of contract such as a failure to pay interest or principal;
- Increasing the likelihood of bankruptcy or other financial reorganization of the borrower.

**AFFINOR GROWERS INC.**  
**Notes to financial statements**  
**For the six-month periods ended November 30, 2014 and 2013**  
**(Unaudited, in Canadian dollars)**

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**5. SUMMARY OF ACCOUNTING POLICIES (continued)**

**5.4 Financial Instruments (continued)**

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables is presented in profit or loss within Other operating expenses, if applicable.

*Financial liabilities*

Financial liabilities of the Company include trade and other payables and convertible debentures.

Financial liabilities are subsequently measured at amortized cost using the method of effective interest rate.

**5.5 Business combinations under common control**

Business combinations under common control are accounted for prospectively from the date the Company obtains the ownership interest using the predecessor values method. Whereby, assets and liabilities are recognized upon consolidation at their carrying amount recorded in the books of the acquired company.

**5.6 Basic and diluted loss per share**

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the parent Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by adjusting the loss attributable to ordinary equity holders of the parent Company and the weighted average number of common shares outstanding, the effects of all dilutive potential ordinary shares, which include share options warrants and the convertible debenture. It is assumed that the dilutive potential ordinary shares were converted into ordinary shares at beginning of the period or the date of issue of potential ordinary shares, if later.

To calculate diluted loss per share, an entity shall assume dilutive conversion options, dilutive warrants, and convertible debenture were exercised.

The assumed proceeds from these instruments shall be regarded as having been received from issuance of common shares at the average market price of common shares during the period

**5.7 Exploration and evaluation assets**

All costs of acquiring mineral rights are recognized as exploration and evaluation assets. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase. Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in profit or loss. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. To determine the value in use, management estimates expected future cash flows from each asset, and then determines an appropriate interest rate for the calculation of the expected present value of the cash flows.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

**5.8 Property and equipment**

Property and equipment are held at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part thereof.

Depreciation is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. The periods generally applicable are as follows:

	<u>Useful life</u>
Computer equipment	30% declining balance
Office equipment	20% declining balance
Land	-
Building	25 years

The residual value, depreciation method and useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognized.

**5.9 Intangible assets**

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized annually on a straight-line basis at the following rates

	<u>Useful life</u>
Licenses	20 years

## **AFFINOR GROWERS INC.**

### **Notes to financial statements**

**For the six-month periods ended November 30, 2014 and 2013**

**(Unaudited, in Canadian dollars)**

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#### **5. SUMMARY OF ACCOUNTING POLICIES (continued)**

##### **5.10 Impairment of exploration and evaluation assets and property and equipment**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- no further exploration or evaluation expenditures in the area are planned or budgeted;
- no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use

An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

##### **5.11 Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The Company has no provisions as at November 30, 2014 and 2013.

##### **5.12 Income taxes**

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

However, since the Company has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred tax is calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax base. However, the deferred tax is not recognized at the time of initial recognition of goodwill or at the time of initial recognition of an asset or liability, unless the transaction giving rise thereto is a grouping of business or has an impact on accounting or taxable profit.

Deferred tax assets or liabilities are calculated, without discounting, according to tax rates that are expected to apply during their respective period of realization when these rates are substantively enacted by the end of the period presentation of financial information.

The deferred tax assets are recognized to the extent that it is probable that they will offset future taxable income.

Deferred tax liabilities are always provided in full.

Assets or deferred tax liabilities are offset only when the Company has the right and intention to offset assets or tax liabilities arising from the same tax authorities.

Changes in deferred tax assets or liabilities are recognized in profit or loss as deferred tax, unless they concern items that have been recognized directly in equity, in which case the deferred tax matching is also recognized in equity.

## **AFFINOR GROWERS INC.**

### **Notes to financial statements**

**For the six-month periods ended November 30, 2014 and 2013**

**(Unaudited, in Canadian dollars)**

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#### **5. SUMMARY OF ACCOUNTING POLICIES (continued)**

##### **5.13 Equity**

###### *Share capital*

Proceeds from the issuance of common shares are classified as share capital. Issue costs directly attributable to additional shares and warrants are deducted from equity products during the period when these transactions took place, net of any underlying income tax benefit from these issue costs.

If shares are issued when options or warrants are exercised or when the conversion option of the convertible debenture is exercised, the share capital account also comprises the compensation costs or the equity portion of the convertible debenture previously recorded in contributed surplus or in warrants.

###### *Unit placements*

Proceeds from unit placements are allocated proportionately between shares and warrants according to their respective fair values.

###### *Share capital subscription received*

Share capital subscription received includes amounts received for a share capital subscription for which the shares are not yet issued.

###### *Warrants*

Warrants include charges related to warrants. When warrants are exercised, the related compensation cost is transferred to share capital.

###### *Contributed surplus*

Contributed surplus includes expenses related to share options until the exercise of these options, the equity portion of the convertible debenture until the exercise of the conversion option and broker's warrants.

###### *Deficit*

Deficit includes all current and prior period retained profit or loss

##### **5.14 Share-based Payments**

The Company operates a share based payments plan for administrators, staff and advisors who qualify. No plan of the Company has the option of cash settlement.

All goods and services received in exchange for the granting of share-based payments are measured at fair value, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the fair value is determined indirectly by reference to the fair value of equity instruments granted. This fair value is measured at grant date.

The share-based payments are ultimately recognized in the profit or loss with a corresponding credit to contributed surplus in shareholders' equity.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

#### **6. JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

In preparing the consolidated financial statements, management makes a number of judgments, estimates and assumptions regarding the recognition and measurement of assets, liabilities, revenues and expenses.

Actual results may differ from the judgments, estimates and assumptions made by management and they will rarely be identical to the results estimated. The information on judgments, estimates and assumptions that have the greatest impact on the recognition and measurement of assets, liabilities, revenues and expenses is presented below.

##### **JUDGEMENTS**

###### **Recognition of deferred income tax assets and measurement of income tax expense**

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, Management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

###### **Going Concern**

Evaluation of the ability of the Company to realize its strategy for funding its future needs for working capital involves making judgments. More information about the going concern assumption is disclosed in Note 2.

##### **ESTIMATE**

###### **Impairment of exploration and evaluation assets**

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated.

**AFFINOR GROWERS INC.****Notes to financial statements****For the six-month periods ended November 30, 2014 and 2013****(Unaudited, in Canadian dollars)****6. JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****Share-based payments**

The estimation of share-based payment cost requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as the volatility of its own share based on share of comparable companies, the probable life options granted and the time of exercise of those options. The model used by the Company is the Black-Scholes valuation model.

**7. COMPANY ACQUISITION**

**On May 23, 2014**, the Company acquired 100% of the equity instruments of 0957102 BC Ltd ("BC"), a British Columbia, Canada, based business, thereby obtaining control. The acquisition of BC was made to reflect the Company's position as a producer and a seller of medical marijuana in Canada.

This acquisition is considered a business combination under common control, as the two entities, Affinor Growers Inc. and BC, had a common important shareholder, as at May 23, 2014. The acquisition has been accounted by the Company prospectively from the date of obtaining the ownership interest. Assets and liabilities have been recognized upon consolidation at their carrying amounts in the IFRS financial statements of BC.

The information in the following table summarizes the consideration paid for BC and the amounts of the assets acquired and the liabilities that were recognized at the acquisition date.

**On October 18, 2014**, the Company and the shareholders of the acquired British Columbia private company (hereinafter "BC Ltd. ") agreed to amend their original share purchase agreement. The Company gives back to the BC Ltd. shareholders all the issued and outstanding BC Ltd. shares purchased by the Company pursuant to the original share exchange agreement, in consideration for which the BC Ltd. shareholders give back to the Corporation 2,500,000 common shares owned by Nick Brusatore a related person. In addition, the BC Ltd. shareholders have granted to the Company an irrevocable option to purchase all the issued and outstanding BC Ltd. shares which option may be exercised no later than October 18, 2017, or upon receipt by BC Ltd. Of its Medical Marijuana growers license from Health Canada.

**Consideration**

2,765,000 common shares	3,818
<b>Total Consideration paid</b>	<b>3,818</b>

**Recognized amounts (predecessor values)****Assets Acquired**

Property and equipment	5,000
Cash	68
<b>Total</b>	<b>5,068</b>

**Liabilities taken over**

Trade and other payables	1,250
<b>Total</b>	<b>1,250</b>

<b>Total recognized net assets</b>	<b>3,818</b>
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**8. OTHER RECEIVABLES**

	November 30, 2014	May 31, 2013
	\$	\$
Goods and services tax receivable	119,503	123,768
Advance to a Company controlled by an officer (a)	86,285	-
Other receivables	8,001	-
	<u>213,789</u>	<u>123,768</u>

a) Advance of \$ 85,000 to a Company controlled by an officer with an 8% interest and repayment terms before January 31, 2015.

**AFFINOR GROWERS INC.**

**Notes to financial statements**

**For the six-month periods ended November 30, 2014 and 2013**

**(Unaudited, in Canadian dollars)**

**9. EXPLORATION AND EVALUATION ASSETS**

	Balance as at June 1, 2014	Write-off (e)	Balance as at November 30, 2014
<b>Quebec, Canada</b>	\$		\$
Destor property (a)	1	(1)	-
Mining rights	-	-	-
Exploration and evaluation expenses	-	-	-
Joutel property (b)	1	(1)	-
Mining rights	1	(1)	-
Exploration and evaluation expenses	-	-	-
La Reine property (c)	1	(1)	-
Mining rights	1	(1)	-
Exploration and evaluation expenses	-	-	-
SP Property (d)	1	(1)	-
Mining rights	1	-	1
Exploration and evaluation expenses	-	-	-
Summary	1	-	1
Mining rights	4	(3)	1
Exploration and evaluation expenses	-	-	-
	4	(3)	1

	Balance as at June 1, 2013	Acquisition	Write-down (e)	Balance as at May 31, 2014
<b>Quebec, Canada</b>	\$	\$	\$	\$
Destor property (a)				
Mining rights	20,834	-	(20,833)	1
Exploration and evaluation expenses	-	10,119	(10,119)	-
	20,834	10,119	(30,952)	1
Joutel property (b)				
Mining rights	60,000	246	(60,245)	1
Exploration and evaluation expenses	-	-	-	-
	60,000	246	(60,245)	1
La Reine property (c)				
Mining rights	15,000	-	(14,999)	1
Exploration and evaluation expenses	-	-	-	-
	15,000	-	(14,999)	1
SP Property (d)				
Mining rights	-	14,775	(14,774)	1
Exploration and evaluation expenses	-	-	-	-
	-	14,775	(14,774)	1
Summary				
Mining rights	95,834	15,021	(110,851)	4
Exploration and evaluation expenses	-	10,119	(10,119)	-
	95,834	25,140	(120,970)	4

**a) Destor Property**

During the year ended August 31, 2013, the Company decided to drop the 83 mining claims of the Destor property acquired in December 2011 for 5,000 \$. In November 2012, the Company subsequently acquired 37 mining claims covering 1,593 hectares located on the same property for \$ 2,334.

On February 28, 2013, the Company signed an agreement to acquire Destor Extension property in exchange for the issuance of 925,000 common shares. The Destor extension property is composed of 4 mining claims covering an area of 144 hectares located in Destor County. During the period, the Company decided to not renew the mining claims.

**b) Joutel property**

On August 31, 2012, the Company signed an agreement to acquire the Joutel property for \$ 10,000 in cash and 1,000,000 common shares. The Company paid these amounts in October 2012. The Joutel property is composed of 11 mining claims covering an area of 273 hectares located in the Joutel township In Abitibi, Quebec. During the period, the Company decided to not renew the mining claims.

**AFFINOR GROWERS INC.**

**Notes to financial statements**

**For the six-month periods ended November 30, 2014 and 2013**

**(Unaudited, in Canadian dollars)**

**9. EXPLORATION AND EVALUATION ASSETS (continued)**

**c) La Reine property**

On February 28, 2013, the Company signed an agreement to acquire the La Reine property in exchange of the issuance of 750,000 common shares. The Joutel property is composed of 2 mining claims covering an area of 85 hectares located 25km from the old mine Dovan-Copper. During the period, the Company decided to not renew the mining claims.

**d) SP property**

On June 13, 2013, the Company signed an agreement to acquire the SP property in exchange of the issuance of 985,000 common shares. The property is composed of 7 mining claims covering 326 hectares.

**e) Write-down**

Since the Company has not planned for an exploration budget on these properties and management has chosen to focus on the company's culture-related activities, an impairment was recognized in net earnings during the year ended May 31, 2014 and the period ended November 30, 2014.

**10. PROPERTY AND EQUIPMENT**

	<u>Greenhouse</u>	<u>Computer equipment</u>	<u>Office equipment</u>	<u>Land</u>	<u>Building</u>	<u>Equipment</u> \$	<u>Total</u> \$
<b>Gross carrying amount</b>							
Balance at June 1, 2014	-	-	-	-	-	5,000	5,000
Acquisition	<u>655,738</u>	<u>3,135</u>	<u>5,663</u>	<u>163,200</u>	<u>176,800</u>	<u>34,804</u>	<u>1,039,540</u>
Balance at November 30, 2014	<u>655,738</u>	<u>3,135</u>	<u>5,683</u>	<u>163,200</u>	<u>176,800</u>	<u>39,804</u>	<u>1,044,540</u>
<b>Accumulated depreciation and impairment</b>							
Balance at June 1, 2014	-	-	-	-	-	-	-
Amortization	<u>-</u>	<u>73</u>	<u>160</u>	<u>-</u>	<u>2,383</u>	<u>-</u>	<u>2,616</u>
Balance at November 30, 2014	<u>655,738</u>	<u>73</u>	<u>160</u>	<u>-</u>	<u>2,383</u>	<u>-</u>	<u>2,616</u>
<b>Carrying amount at November 30, 2014</b>	<u><b>655,738</b></u>	<u><b>3,062</b></u>	<u><b>5,703</b></u>	<u><b>163,200</b></u>	<u><b>174,417</b></u>	<u><b>39,804</b></u>	<u><b>1,041,924</b></u>

**11. INTANGIBLE ASSETS**

	<u>License</u> \$	<u>Total</u> \$
<b>Gross carrying amount</b>		
Balance at June 1, 2014	-	-
Acquisition	<u>723,888</u>	<u>723,888</u>
Balance at November 30, 2014	<u>723,888</u>	<u>723,888</u>
<b>Accumulated depreciation and impairment</b>		
Balance at June 1, 2014	-	-
Amortization	<u>12,205</u>	<u>12,205</u>
Balance at November 30, 2014	<u>12,205</u>	<u>12,205</u>
<b>Carrying amount at November 30, 2014</b>	<u><b>711,683</b></u>	<u><b>711,683</b></u>

**12. INVESTMENTS**

The Company holds marketable securities in three quoted public companies. The investment is measured at fair value. The shares are publicly listed on a Toronto stock exchange venture and hence published price quotes are available. The aggregate amount of the investment can be summarized as follows:

	<u>November 30, 2014</u> \$	<u>May 31, 2014</u> \$
Margaux Red Capital – 250,000 common shares- (Nil common shares as at May 31, 2014)	117,500	-
Chlormet Tech Inc. - 100,000 common shares (Nil common shares as at May 31, 2014)	8,500	-
Geonovus Minerals Corp. – 6,000,000 common shares (Nil common shares as at May 31, 2014) a)	<u>150,000</u>	<u>-</u>
Total	<u><u>276,000</u></u>	<u><u>-</u></u>

a) The company sale a license in compensation of 6,000,000 shares of Geonovus, the duration of the sale is for 5 years. The Company recorded a non-current deferrend income for the long-term proportion.



**AFFINOR GROWERS INC.****Notes to financial statements****For the six-month periods ended November 30, 2014 and 2013****(Unaudited, in Canadian dollars)****13. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD**

The Company holds through its wholly owned subsidiary Affinor Analytics LLC. a 49% (nil at May 31, 2014) equity interest in Herbal analytics LLC. The investment is accounted for using the equity method.

The aggregate amount of the associate can be summarized as follows:

	<u>November 30, 2014</u>	<u>May 31, 2014</u>
	\$	\$
Assets	127,058	-
Liabilities	4,692	-
Revenues	-	-
Net loss	48,304	-
Loss attributable to the Company	23,669	-

The Company has not incurred any contingent liabilities or other commitments relating to its investment in this associate.

The Company holds a 49% (nil in 2014) equity interest in Affinor Growers LLC the investment is accounted for using the equity method.

The aggregate amount of the associate can be summarized as follows:

	<u>November 30, 2014</u>	<u>May 31, 2014</u>
	\$	\$
Assets	228,885	-
Liabilities	6,323	-
Revenues	81,061	-
Net income	14,583	-
Income attributable to the Company	7,146	-

The Company has not incurred any contingent liabilities or other commitments relating to its investment in this associate.

**14. TRADE AND OTHER PAYABLES**

	<u>November 30, 2014</u>	<u>May 31, 2014</u>
	\$	\$
Trade accounts (a)	698,255	533,414
Deffered income (b)	60,000	6,899
Trade and other payables	<u>758,254</u>	<u>541,077</u>

a) Accrued of \$ 427,425 (\$ 375,000 US) for the acquisition of 49% interest in Affinor Growers LLC.

b) Deffered income of \$ 60,000 for the current sale of the license.

**15. EQUITY****15.1 Share Capital**

Authorized share capital :

Unlimited numbers of common shares voting and participating, with no par value.

- a) **On June 17, 2013**, the Company acquired the SP Property. The SP property contains 7 mining claims and covers 325 hectares. According to the terms of the transaction, the Company acquires 100 % of the 7 claims in exchange of the issuance of 985,000 common shares of the Company.
- b) **On June 17, 2013** the Company closed a non brokered private placement in the amount of \$ 96,500, through the sale of 6,433,333 common shares priced at 0.015 \$ each. Approximately 49 % of the common shares were acquired by directors and officers of the Company. The Company was granted an exemption to the CNSX minimum price rule.
- c) **On July 31, 2013**, the Company closed the second tranche of a non brokered private placement in the amount of 32,250 \$, through the sale of 2,150,000 common shares priced at 0.015 \$ each. Approximately 23 % of the common shares were acquired by the president and chief executive officer of the Company. The Company was granted an exemption to the CSE minimum price rule.
- d) **On July 31, 2013** the Company entered into an agreement to early convert the \$ 295,751 convertible debenture as well as its accrued interest of \$ 14,915 by the issuance of 6,213,320 common shares at a deemed price of \$ 0.05 per share.
- e) **On March 28, 2014**, the Company entered into an agreement for debt settlement of \$153,500 payable to directors with shares. The Company issued 614,000 common shares at a deemed price of \$ 0.25 per share. The Company recorded a loss on settlement of financial liability of \$55,260 in the statement of changes in equity.
- f) **On April 4, 2014**, the Company announced the closing of the first tranche of a non-brokered private placement for gross proceeds of \$ 1,007,659. The securities issued are composed of 4,030,636 units. Each unit is comprised of one common share and one share purchase warrant of the Company. The common share purchase warrant has a term of two three-month period exercisable at \$ 0.40 with an early exercise provision when the common shares of the Company trade above \$ 0.75 for 20 consecutive trading days. The Company paid a finder's fee of \$ 35,023 and issued 140,090 broker warrants. Each broker warrant entitling to acquire one common share of the Company at a price of \$ 0.40 with an early exercise provision when the common shares of the Company trade above \$ 0.75 for 20 consecutive trading days.

## AFFINOR GROWERS INC.

### Notes to financial statements

For the six-month periods ended November 30, 2014 and 2013

(Unaudited, in Canadian dollars)

#### 15. EQUITY (continued)

##### 15.1 Share Capital (continued)

g) **On April 14, 2014**, the Company appointed Nick Brusatore to its advisory board. The Company has issued 10,000,000 common shares of the company to Mr. Brusatore to prepare and execute the business model and financial plan required for the full-scale, mass production of marijuana for medical purposes. For the issued of the 10,000,000 common shares, the Company have recorded an expense of \$3,800,000 included in Management fees. Mr. Brusatore will also receive an additional compensation of 5,000,000 common shares when the Company is granted its licence for production. The Company has granted 1,000,000 stock options to Mr. Brusatore to purchase common shares of the Company at an exercise price of \$ 0.49 per share. The Company has agreed to pay a 10% finder's fee, payable in shares (1,000,000 common shares), to Michael Flowerdew for facilitating the agreement with Mr. Brusatore. This compensation resulted in an expense of \$380,000 recorded in professional fees and consulting fees.

On May 5, 2014, the company and Nick Brusatore agreed to cancel the additional compensation of 5,000,000 common shares. This cancellation resulted in an additional expense recorded as Management fees of \$ 2,100,000.

The fair value of the service received by reference to the shares using the quoted price of the day of insurance or cancellation because the fair value of the service could not be estimated reliably.

h) **On April 23, 2014**, the Company closed a second and final tranche of a non-brokered private placement for gross proceeds of \$ 1,526,750. The securities issued are composed of 6,107,000 units. Each unit is comprised of one common share and one share purchase warrant of the Company. The common share purchase warrant has a term of two three-month period exercisable at \$ 0.40 with an early exercise provision when the common shares of the Company trade above \$ 0.75 for 20 consecutive trading days. The Company issued 130,030 broker warrants. Each broker warrant entitling to acquire one common share of the Company at a price of \$ 0.40 with an early exercise provision when the common shares of the Company trade above \$ 0.75 for 20 consecutive trading days. The Company paid finder fees and other share insurance cost of \$47,408.

i) **On May 23, 2014**, the Company acquired 100% of a private company in the final stage of obtaining their medical marijuana license. The Company is located in the province of British Columbia. The company issued 2,765,000 common shares and will issue 2,435,000 common shares when the issuance of a licence to D&G.

j) **On June 24, 2014**, the Company concludes an agreement for the exclusive technology license with Vertical Designs Ltd. ("VDL") a company under control of a director and an important shareholder of the Company. Under the terms of the agreement, the Company issued 666,666 common shares at a deemed price of \$ 0.75 per share to VDL and will pay a 5% royalty on the net sales of production.

k) **On September 23, 2014**, the Company acquired a 49% interest in Herbal Analytics, a Washington State testing laboratory. Under the term of the agreement, the Company paid \$ 150,000, \$ 150,000 in a repayable loan over a maximum of 4 three-month period and issued 949,612 common shares.

l) **In September 2014**, 255,000 warrants were exercised for a cash consideration of \$ 102,000. The fair value of \$ 23,942 assigned to these warrants has been reclaim field from warrants to share capital.

m) **In September 2014**, 34,955 brokers warrants were exercised for a cash consideration of \$ 13,982.

n) **On October 18, 2014**, the Company and the D&G shareholders agreed to cancel the original agreement. The Company sells back to the D&G shareholders all the issued and outstanding D&G shares purchased by the Company pursuant to original share exchange agreement, in consideration for which the D&G shareholders sell back to the Company 2,550,000 common shares. The D&G shareholders grant to the Company an irrevocable option to purchase all the issued and outstanding D&G shares which option may be exercised no later than October 18, 2017.

o) **On October 22, 2014**, the company entered into an exclusive patent license agreement with Vertical Designs Ltd ("VDL") to become the commercial licensor of VDL patented, food growing technology on a worldwide territory excluding only Ontario, Alberta and the Maritimes (the «Territory»). Under the terms of the agreement, the Company will use VDL's technology to produce high quality non-GMO fruits and vegetables, royalty free to VDL. An initial entry fee is paid to VDL by the issuance of 722,222 common shares of the Company. Also under the agreement, the Company will be able to sublicense VDL's technology for fruits and vegetables to any other company of facility on the territory and receive a royalty on sub-licensed production. The Company will receive 50% of any fee or royalty paid to it by any sublicensee of the VDL technology, the other portion being paid to VDL.

##### 15.2 Warrants

Outstanding warrants are as follows:

	November 30, 2014		May 31, 2014	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Balance, beginning of the period	10,137,636	0,40	4,800,000	0,10
Issued private offerings	2,000,000	0,32	10,137,636	0,40
Exercised	(2,655,000)	0,40	-	-
Expired warrant	-	-	(4,800,000)	0,10
Balance, end of the period	9,482,636	0,38	10,137,636	0,40

The number of warrants outstanding exercisable in exchange for an equivalent number of shares is as follows:

**AFFINOR GROWERS INC.**

**Notes to financial statements**

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**15. EQUITY (continued)**

**15.2 Warrants (continued)**

Expiration date	November 30, 2014		May 31, 2014	
	Number	Exercise price	Number	Exercise price
		\$		\$
April 4, 2016	635,000	0.40	635,000	0.40
April 7, 2016	3,045,636	0.40	3,395,636	0.40
April 11, 2016	1,080,000	0.40	1,080,000	0.40
April 14, 2016	564,000	0.40	564,000	0.40
April 16, 2016	178,000	0.40	218,000	0.40
April 22, 2016	360,000	0.40	360,000	0.40
April 23, 2016	1,620,000	0.40	3,885,000	0.40
October 16, 2017	2,000,000	0,32	-	-
	9,482,636	0,38	10,137,636	0,40

The underlying expected volatility was determined in reference to historical data of three comparable companies over the expected life period.

The fair value of warrants was calculated using the Black-Scholes option pricing Model and the following weighted average assumptions:

	November 30, 2014	May 31, 2014
	\$	\$
Expected life	2 years	2 years
Risk-free interest rate	1.06%	1.08%
Expected volatility	125%	125%
Expected dividend	-	-
Share price at date of issuance	0,31	0,36

**15.3 Broker's warrants**

Outstanding broker's warrants are as follows:

	November 30, 2014		May 31, 2014	
	Number of brokers warrants	Weighted average exercise price	Number of brokers warrants	Weighted average exercise price
		\$		\$
Balance, beginning of the period	270,390	0.40	-	-
Exercised	(54,925)	0.40	-	-
Issued private offerings	-	-	270,390	0.40
Balance, end of the period	215,465	0.40	270,390	0.40

The number of broker's warrants outstanding exercisable in exchange for an equivalent number of shares is as follows:

Expiration date	November 30, 2014		May 31, 2014	
	Number	Exercise price	Number	Exercise price
		\$		\$
April 4, 2016	85,165	0.40	140,090	0.40
April 14, 2016	108,000	0.40	108,000	0.40
April 16, 2016	13,800	0.40	13,800	0.40
April 23, 2016	8,500	0.40	8,500	0.40
	215,465		270,390	

The fair value of the broker's warrants was calculated using the Black-Scholes option pricing model and the following weighted average assumptions:

The underlying expected volatility was determined in reference to historical data of three comparable companies over the expected life period:

	November 30, 2014	May 31, 2014
Expected life	-	2 years
Risk-free interest rate	-	1.065%
Expected volatility	-	125%
Expected dividend	-	-
Share price at date of issuance	-	0.36

**AFFINOR GROWERS INC.**

**Notes to financial statements**

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**(Unaudited, in Canadian dollars)**

**15. EQUITY (continued)**

**15.4 Share-based payments**

The Company maintains a share-based payment plan (the "Plan") whereby the Board of Directors may from time to time grant to employees, staff members and consultants, options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board but cannot be lower than the discounted price.

The plan provides that the maximum number of common shares in the capital of the Company which may be reserved for issuance under the plan may not exceed 10 % of the publicly traded shares issued and outstanding on the grant date of the options (on a non-diluted basis), this number being equal to 6,487,588 shares on November 30, 2014.

Options granted are exercisable at the day of grant except for persons performing investor relations activities. Options granted to supplier of investor's relations services must at a minimum vest in stages over a period not less than 12 months with no more than one fourth of the options vesting in any three-month period.

A summary of changes in the Company's common share purchase options is as follows

	<b>November 30, 2014</b>		<b>May 31, 2014</b>	
	<b>Number of options outstanding and exercisable</b>	<b>Weighted average exercise price</b>	<b>Number of options outstanding and exercisable</b>	<b>Weighted average exercise price</b>
		\$		\$
Balance, beginning of the period	4,620,000	0.26	-	-
Granted	1,800,000	0.53	5,620,000	0.23
Exercised	(970,000)	0.16	(1,000,000)	0.10
Balance, end of the period	5,450,000	0.38	4,620,000	0.26

	<b>November 30, 2014</b>		
<b>Number</b>	<b>Exercise price</b>	<b>Weighted remaining life</b>	
	\$		
1,500,000	0.10		4.12
500,000	0.25		5.13
400,000	0.33		4.5
300,000	0.35		4.36
300,000	0.40		4.92
300,000	0.47		4.68
1,350,000	0.49		4.44
200,000	0.67		4.58
100,000	0.71		4.58
100,000	0.80		4.58
300,000	0.85		4.51
100,000	1.03		4.51
5,450,000	0.38		-

	<b>November 30, 2014</b>		
<b>Number</b>	<b>Exercise price</b>	<b>Weighted remaining life</b>	
	\$		
250,000	0.05		4.73
1,920,000	0.10		4.49
400,000	0.33		4.88
600,000	0.35		4.86
1,000,000	0.49		4.95
350,000	0.49		4.95
100,000	0.80		5.00
4,620,000	0.26		-

The Company granted 1 800,000 stock purchase options and 2,000,000 warrants during the six-month period ended November 30, 2014 (nil in 2013) to directors and consultants. The fair value of these options and warrants is \$ 1,222,665 (\$ nil in 2013) was estimated using the Black-Scholes option pricing model with the following assumptions:

The weighted average share price at the date of exercise was \$ 0.52.

The underlying expected volatility was determined by reference to historical data of three comparable companies over the expected life period.

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**(Unaudited, in Canadian dollars)**

**15.0 EQUITY (continued)**

**15.4 Share-based payments (continued)**

	<b>November 30, 2014</b>	<b>May 31, 2014</b>
	\$	\$
Risk-free interest rate	1.536 %	1.675 %
Expected volatility	125 %	125 %
Expected life	5 years	5 years
Expected dividend	-	-
Fair value of options granted	0.61	0.16
Share price at date of grant	0.52	0.19

**16. RELATED PARTY TRANSACTIONS**

Related party transactions were recorded at the exchange value, which is the consideration determined and agreed to by the related parties.

The Company's related parties include directors, key management and companies controlled by directors and key management, as described below.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

**16.1 Transactions with key management personnel**

Key management of the Company are members of the Board of Directors. Key management compensation allocated includes the following expenses:

	<b>For the three-month period ended November 30,</b>		<b>For the six-month period ended November 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	\$	\$	\$	\$
Short-term key management benefits				
Social security cost	1,906	-	6,535	-
Salaries	25,716	-	87,936	-
Professional fees	21,000	10,209	42,000	20,526
Others	3,197	-	4,465	-
Total short-term management benefits	51,819	10,209	140,936	20,526
Management fees	75,000	-	150,000	-
Consulting fees	47,499	27,000	94,998	46,298
Share-based payments	183,003	-	183,003	-
Total remuneration	357,321	37,209	568,937	66,824

In addition, the Company has a payable of \$ 20,924 in consulting and management fees to companies controlled by directors of the Company as at November 30, 2014.

**17. ASSETS AND FINANCIAL LIABILITIES**

Categories of assets and liabilities

The carrying value and fair value of financial instruments presented in the statement of financial position are as follows:

	<b>November 30, 2014</b>		<b>May 31, 2014</b>	
	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>/ Fair value</b>
	\$	\$	\$	\$
Financial assets				
Loans and receivables				
Cash	399,414	399,414	1,944,644	1,944,644
Other receivable	1,015	1,015	175	175
Investments	276,000	276,000	-	-
	676,429	676,429	1,944,819	1,944,819
Financial liabilities				
Trade and other payables	758,254	758,254	249,850	249,850
	758,254	758,254	249,850	249,850

The fair value of the liability component of the convertible debenture was determined by discounting future cash flows at an interest rate the Company could obtain on the market. It is the rate the Company would obtain for financial liabilities with similar conditions and maturity.

**AFFINOR GROWERS INC.****Notes to financial statements****For the six-month periods ended November 30, 2014 and 2013****(Unaudited, in Canadian dollars)****18. LOSS PER SHARE**

Both the basic and diluted loss per share have been calculated using the net loss as a numerator, i.e. no adjustment to the net loss was necessary for the periods presented.

In calculating the diluted loss per share, dilutive potential common shares such as share options, warrants and the conversion option on the convertible debenture have not been included as they would have the effect of decreasing the loss per share. Decreasing the net loss per share would be antidilutive. Details on the share options and the warrants with a potentially dilutive effect on earnings per share are presented in note 14.

**19. ADDITIONAL INFORMATIONS CASH FLOWS**

	For the three-month period ended November 30,		For the six-month period ended November 30,	
	2014	2013	2014	2013
	\$	\$		
Other Receivables	(127,604)	817	(169,201)	11,530
Prepaid expenses	72,542	(4,190)	113,307	(4,190)
Trade and other payables	512,306	7,214	448,046	(9,692)
<b>Total</b>	<b>457,244</b>	<b>3,841</b>	<b>392,512</b>	<b>(2,342)</b>

**20. INFORMATION DISCLOSURE ABOUT CAPITAL**

The Company monitors capital on the basis of the carrying amount of equity and convertible debenture. The capital is \$ 3,077,349 as at November 30, 2014 (\$ 1,909,995 as at May 31, 2014).

The objective of the Company's capital management is to preserve its ability to continue its operations, its program of acquisition and is agriculture operations. This objective will be achieved by identifying the right exploration and agriculture projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

The Company is not subject, under external rules, to capital requirements.

When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its activities or may slow its activities until conditions improve.

**21. FINANCIAL RISK MANAGEMENT**

The Company is exposed to various risks related to financial instruments. The financial assets and liabilities of the Company are summarized by category in note 16. The main types of risks to which the Company is exposed are market risk, credit risk and liquidity risk.

No change has been made in terms of objectives, policies or procedures related to the management of risks arising from financial instruments during periods of financial reporting considered.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to interest rate risk. The objectives of the Company are to ensure cash inflows in the short and medium term, while reducing exposure to capital markets. The Company does not trade in financial assets for speculative purposes.

The main financial risks to which the Company is exposed are detailed below :

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

The Company manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its obligations.

As at November 30, 2014, all of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

As at November 30, 2014, the Company presents a working capital of \$ 194,830. The ability of the Company to continue its activities relies upon the supports of its suppliers and obtaining additional financing.

**Credit risk**

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Cash are held with a Canadian chartered bank which reduces the risks. Also the Company continuously monitors defaults of others parties. No impairment loss has been recognized on the periods presented.

The Group's management considers that all financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

## **AFFINOR GROWERS INC.**

### **Notes to financial statements**

**For the six-month periods ended November 30, 2014 and 2013**

**(Unaudited, in Canadian dollars)**

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#### **22. COMMITMENTS**

In January 2013, the Company signed a service contract, with a company controlled by one of the officers of the Company, for accounting and financial services for an annual amount of \$ 80,000 for the first year and \$ 84,000 for the second year. This agreement started on January 1<sup>st</sup>, 2014 and will end on January 31, 2015. On November 30, 2014, the balance of this commitment was \$ 14,000.

In December 2013, the Company signed a service contract, with a company controlled by one of the officers of the Company, for consulting and financial services for an annual amount of \$ 123,000 for the first year and \$ 150,000 for the second year. This agreement started on December 1<sup>st</sup>, 2013 and will end on November 30, 2015. On November 30, 2014, the balance of this commitment was \$ 150,000.

In October 2014, the Company signed a contract for a consulting service for an amount of \$ 96,000. On November 30, 2014, the balance of this commitment was \$ 75,000 US.

In October 2014, the Company signed a contract for consulting services for an amount of \$ 96,000 US. On November 30, 2014, the balance of this commitment was \$ 75,000 US.

#### **23. EVENTS AFTER THE REPORTING PERIOD**

**On December 1, 2014**, the Company announced that it has cancelled the investor relations agreement with Sigorex Management GMBH entered into on September 26, 2014.

**On December 1, 2014**, the Company announced that it has engaged Secure Strategy Group for financial and corporate advisory services. Under the terms Secure Strategy Group will receive a monthly cash advisory fee of \$ 8,000 US and 1,000,000 warrants of the Company that are exercisable into 1,000,000 common shares of the Company at an exercise price of \$0.32 per share on or before October 16, 2017.

**On December 2, 2014**, the Company announce the appointment of Pierre C. Miron as VP Finance, CFO & Director. Under the terms, Mr. Miron will receive 300,000 incentive stock options to purchase common shares. The options are exercisable on or before December 1, 2017, at an exercise price of \$ 0,22 per share.

**On December 18, 2014**, the Company announced that it has closed the Definitive Agreement of the previously announced LOI on November 4, 2014 with North Country Natural Solutions LLC ("North Country") and Iroquois Consulting Group LLC ("Iroquois") in New York State. It represents a \$500,000.00 sublicensing agreement and 5% royalty on the net sales on the food production. Additionally North Country and Iroquois will offer consulting services to represents exclusively the Company with all the native Communities in the United States in the agriculture and cannabis sectors with the objective to become leader and a model in both industry.

**December 19, 2014**, the Company announce today that it has hired Hugh Bowman as Advisor. Under the terms of the agreement, M. Bowman will receive 300,000 incentive stock options to purchase common shares. The options are exercisable on or before December 18, 2017, at an exercise price of \$ 0,25 per share.

**January 5, 2015**, the Company announces that Herbal Analytics LLC has signed a 2 year contract to be the cannabis laboratory for Green Color and Arches (GC&A), a producer of medical products. GC& A has agreed to engage Herbal Analytics to exclusively study their cannabis for compound research and drug discovery purposes. Within the terms of the Agreement, Herbal Analytics will also provide services.

**January 13, 2015**, the Company announces they have completed the acquisition and ownership, development and commercialization rights of the farming technology "Method and Apparatus for Automated Horticulture and Agriculture" Patent from Vertical Designs Ltd ("VDL"). Under the terms of the agreement, the Company becomes the patent holder and will issue to VDL in consideration of 5,000,000 common shares at a price of \$0.20 per share.