



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

NOVEMBER 30, 2015

(UNAUDITED)

AFFINOR GROWERS INC.

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NOTICE OF NO AUDITOR REVIEW OF

INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

AFFINOR GROWERS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Presented in Canadian Dollars)

	Note	November 30, 2015 (Unaudited)	May 31, 2015 (Audited)
Assets			
Current assets			
Cash		\$ 128,831	\$ 2,662
Receivables		71,243	75,887
Investments available for sale	5	21,050	148,750
Prepaid expenses		53,240	22,637
		<u>274,364</u>	<u>249,936</u>
Non-current assets			
Property, plant and equipment	6	1,286,719	1,291,517
Intangible assets	7	1,402,525	1,444,037
		<u>2,689,244</u>	<u>2,735,554</u>
Total assets		\$ 2,963,608	\$ 2,985,490
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 316,068	\$ 775,085
Due to related parties	11	9,408	100,170
		<u>325,476</u>	<u>875,255</u>
Equity			
Share capital	9	17,282,308	16,451,212
Reserves	9	6,333,292	5,587,775
Deficit		(20,977,468)	(19,928,752)
		<u>2,638,132</u>	<u>2,110,235</u>
Total equity and liabilities		\$ 2,963,608	\$ 2,985,490

Event after the reporting period (Note 17)

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on January 27, 2016. They are signed on the Company's behalf by:

/s/ Nicholas Brusatore
Director

/s/ Alan Boyco
Director

AFFINOR GROWERS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Presented in Canadian Dollars)
(Unaudited)

	Note	Three months ended November 30,		Six months ended November 30,	
		2015	2014	2015	2014
Revenue					
Sales		\$ 25,000	\$ 48,689	\$ 25,522	\$ 95,452
Cost of sales		(41,380)	-	(41,380)	-
		(16,380)	48,689	(15,858)	95,452
Expenses					
Registration and information to shareholders		19,338	18,399	26,761	40,764
Professional fees and consulting fees		286,543	541,403	355,110	1,034,780
Employee benefit expenses		55,519	27,623	133,120	94,471
Management fees		74,244	75,000	149,244	150,000
Share-based payment		138,762	628,451	303,736	1,222,665
Amortization		23,295	9,451	46,310	14,821
Other operating expenses		12,819	89,523	45,024	293,625
		(610,520)	(1,389,850)	(1,059,305)	(2,851,126)
Operating loss		(626,900)	(1,341,161)	(1,075,163)	(2,755,674)
Other items					
Gain/(loss) on disposal of investments		-	600	(4,500)	20,760
Impairment of loans		-	-	(6,206)	-
Loss on dilution from an investment accounted for using the equity method		-	(16,802)	-	(16,802)
Other revenue		37,031	3,715	37,153	6,126
		37,031	(12,487)	26,447	10,084
Net loss for the period		(589,869)	(1,353,648)	(1,048,716)	(2,745,590)
Unrealized loss on available for sale investments		(20,650)	(70,050)	(117,700)	(70,050)
Comprehensive loss for the period		\$ (610,519)	\$ (1,423,698)	\$ (1,166,416)	\$ (2,815,640)
Basic and diluted loss per share	10	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.04)
Weighted average number of shares		91,792,359	64,104,926	82,131,615	62,704,399

AFFINOR GROWERS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Presented in Canadian Dollars)

	Note	Share capital		Reserves			Accumulated other comprehensive income	Deficit	Total equity
		Number of shares	Amount	Warrants	Broker's warrants	Equity-settled employee benefits			
Balance as at May 31, 2014 (Audited)		60,953,898	\$ 11,948,091	\$ 951,093	\$ 58,092	\$ 3,530,213	\$ -	\$ (14,572,490)	\$ 1,914,999
Share issues:									
Acquisition of intangible assets	11	1,388,888	723,888	-	-	-	-	-	723,888
Acquisition of 49% in associate	8	949,612	541,940	-	-	-	-	-	541,940
Options exercised	9	970,000	294,307	-	-	(134,807)	-	-	159,500
Consultant and management services		403,554	246,026	-	-	-	-	-	246,026
Warrants exercised	9	2,655,000	1,308,932	(246,931)	-	-	-	-	1,062,001
Broker warrants exercised	9	54,925	21,970	-	-	-	-	-	21,970
Shares cancelled	4, 9	(2,500,000)	-	-	-	-	-	-	-
Unrealized gain on available for sale of investments		-	-	-	-	-	(70,050)	-	(70,050)
Share-based payment		-	-	-	-	1,222,665	-	-	1,222,665
Net loss		-	-	-	-	-	-	(2,745,590)	(2,745,590)
Balance as at November 30, 2014 (Unaudited)		64,875,877	15,085,154	704,162	58,092	4,618,071	(70,050)	(17,318,080)	3,077,349
Share issues:									
Private placement	9	700,000	70,035	34,965	-	-	-	-	105,000
Acquisition of intangible assets	11	5,000,000	770,555	-	-	-	-	-	770,555
Acquisition of 49% in associate	8	-	(10,140)	-	-	-	-	-	(10,140)
Consultant and management services		1,500,001	257,640	-	-	-	-	-	257,640
Option to buy a company	4	265,000	169,600	-	-	-	-	-	169,600
Options exercised	9	500,000	112,220	-	-	(37,220)	-	-	75,000
Shares cancelled	4, 9	(265,000)	(3,818)	-	-	-	-	-	(3,818)
Share issue cost		-	(34)	-	-	-	-	-	(34)
Unrealized loss on available for sale of investments		-	-	-	-	-	35,150	-	35,150
Share-based payment and warrants		-	-	589,016	-	(344,411)	-	-	244,605
Net loss		-	-	-	-	-	-	(2,610,672)	(2,610,672)
Balance as at May 31, 2015 (Audited)		72,575,878	16,451,212	1,328,143	58,092	4,236,440	(34,900)	(19,928,752)	2,110,235
Share issues:									
Private placements		23,433,333	763,519	491,481	-	-	-	-	1,255,000
Debt settlements		3,839,150	204,992	-	-	-	-	-	204,992
Share issue costs		-	(137,415)	-	68,000	-	-	-	(69,415)
Unrealized loss on available for sale of investments		-	-	-	-	-	(117,700)	-	(117,700)
Share-based payment and warrants		-	-	(161,238)	-	464,974	-	-	303,736
Net loss		-	-	-	-	-	-	(1,048,716)	(1,048,716)
Balance as at November 30, 2015 (Unaudited)		99,848,361	\$ 17,282,308	\$ 1,658,386	\$ 126,092	\$ 4,701,414	\$ (152,600)	\$ (20,977,468)	\$ 2,638,132

See notes to the condensed consolidated interim financial statements

AFFINOR GROWERS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Presented in Canadian Dollars)
(Unaudited)

	Note	Six months ended	
		November 30, 2015	November 30, 2014
Cash flows from operating activities			
Net loss for the period	\$	(1,048,716)	\$ (2,745,590)
Items not involving cash:			
Amortization		46,310	14,821
Consulting and professional fees		-	246,026
(Gain) loss on disposal of investments		4,500	(20,760)
Impairment of loans		6,206	-
Loss on dilution from an investment accounted for using the equity method		-	16,802
Other operation expenses		-	3
Sales		-	(6,575)
Share-based payment		303,736	1,222,665
Changes in non-cash working capital items:			
Receivables		4,644	(169,201)
Prepaid expenses		(30,603)	113,307
Accounts payable and accrued liabilities		(354,195)	448,406
Due to related parties		9,408	-
Net cash (used in) operating activities		(1,058,710)	(880,096)
Cash flows from investing activities			
Investments accounted for using the equity method		-	(843,773)
Investments		-	(25,290)
Loans receivable		(6,206)	-
Net proceeds from investments available for sale		5,500	-
Purchase of property, plant and equipment		-	(1,039,541)
Net cash (used in) investing activities		(706)	(1,908,604)
Cash flows from financing activities			
Proceeds from issuance of common shares		1,255,000	1,243,470
Share issue costs		(69,415)	-
Net cash provided by financing activities		1,185,585	1,243,470
Change in cash for the period		126,169	(1,545,230)
Cash, beginning of the period		2,662	1,944,644
Cash, end of the period	\$	128,831	\$ 399,414

Supplemental disclosure with respect to cash flows (Note 12).

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Affinor Growers Inc. (the "Company") is incorporated under the Canada Business Corporations Act and its registered office is Suite 410 – 325 Howe Street, Vancouver, BC, Canada, V6C 1Z7. The Company is listed on the Canadian Securities Exchange ("CSE"), the Frankfurt Stock Exchange and the OTC QB Exchange.

Effective May 2014, the Company changed its name to Affinor Growers Inc. to better reflect the mission of the Company of being the world-wide technology and market leader in creating and commercializing the most economical vertical farming technologies that use the least possible resources (eg. land, water, and energy resources) to produce the highest quality pesticide-free produce year-round, regardless of environmental conditions.

These condensed consolidated interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. There are material uncertainties that cast significant doubt about the appropriateness of the going concern assumption.

The Company is subject to a number of risks and uncertainty associated with the successful development of its major crop products, such as strawberries and romaine lettuce, and with the financing requirements of its operations. The attainment of profitable operations is dependent upon future events, including the successful completion of the Greenhouse project, commercialization of its products and technology and obtaining adequate financing to complete its commercialization plans.

To date, the Company has generated limited revenue and significant losses, has not generated positive cash flows from operations and as at November 30, 2015 has an accumulated deficit of \$20,977,468 and negative working capital. It has relied upon financing primarily from private equity placements and exercise of options and warrants to fund its operations and construction of its facility. The Company expects to obtain funding through additional equity offerings and licensing of its technology until it achieves positive cash flows from operations.

The Company's business plan is dependent on raising additional funds to finance its operations and the development of its Greenhouse project within and beyond the next 12 months. While the Company has managed to fund its operations in the past through equity financing, raising additional funds is dependent on a number of factors outside the Company's control, and as such there is no guarantee that it will be able to obtain additional financing in the future. If the Company is unable to obtain sufficient additional financing, it may have to delay, scale back or eliminate construction plans for its present or future facilities and curtail operations, which could harm the business, financial condition and results of operations. This could occur in the near term. Until such financing is secured and profitable operations are reached, there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement on financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS34") using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

2. BASIS OF PREPARATION *(Continued)*

b) Basis of preparation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except certain financial instruments which are measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation.

c) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the November 30, 2015 reporting period. The Company has not early adopted the following new and revised standard, amendment and interpretation that has been issued but is not yet effective:

- IFRS 9 (Amended 2010) Financial Instruments (effective January 1, 2018)
- IFRS 15 Revenue from Contracts with Customer (effective January 1, 2018)

The Company anticipates that the application of the above new and revised standard, amendment and interpretation will have no material impact on its results and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB on a basis consistent with those followed in the Company's most recent annual financial statement for the year ended May 31, 2015.

These unaudited condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended May 31, 2015. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the six-month period ended November 30, 2015 are not necessarily indicative of the results that may be expected for the year ending May 31, 2016.

4. 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 for a consideration in 2,765,000 shares of the Company. As part of the transaction, the Company agreed to issue an additional consideration of 2,435,000 common shares in the event BC becomes a licensed producer under the marijuana for medical purposes regulations. 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 was considered a business combination under common control, as the two entities, Affinor and BC, had a common 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.

On September 1, 2014, the Company and the shareholders of BC agreed to amend their original share purchase agreement concluded on May 23, 2014. The Company gave back to the BC shareholders all the issued and outstanding BC shares purchased by the Company pursuant to the original share exchange agreement, in consideration for which the BC shareholders gave back to the Company 2,500,000 common shares owned by Nick Brusatore, a related person (note 9(ii)(h)). In addition, the BC shareholders granted to the Company an irrevocable option to purchase all the issued and outstanding BC shares which option may be exercised no later than October 18, 2017, or upon receipt by BC of its Medical Marijuana growers license from Health Canada. In consideration for this option, the non-controlling shareholders of BC kept 265,000 shares of Affinor already received on May 23, 2014. As at September 1, 2014, the fair value of the consideration paid for this option was \$169,600 which corresponds to the fair value of the shares of Affinor. As at May 31, 2015, management determined that the fair value of this option was nil and recorded a charge of \$169,600 in the statement of comprehensive loss. As at May 31, 2015, the Company also recorded an impairment loss of \$61,304 for the entire amount of loan receivable from BC.

On August 14, 2014, the Board of directors approved the issuance of 200,000 common shares of Affinor to Mr. Flowerdew as a finder’s fee for facilitating this transaction with BC. The compensation resulted in an expense of \$114,000 recorded in professional and consulting fees

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 at book value. As at September 1, 2014, the net assets have been de-consolidated from the consolidated financial statements using the carrying amounts that were used at the date of acquisition

Consideration	
2,765,000 common shares	\$ 3,818
<u>Total consideration paid</u>	<u>3,818</u>
Recognized amounts (predecessor values)	
Assets acquired	
Property and equipment	5,000
Cash	68
<u>Total</u>	<u>5,068</u>
Liabilities taken over	
Trade and other payables	1,250
<u>Total</u>	<u>1,250</u>
<u>Total recognized net asstes</u>	<u>\$ 3,818</u>

5. INVESTMENTS AVAILABLE FOR SALE

The Company holds marketable securities in two quoted public companies. The investments are measured at fair value using a level 1 input in the fair value hierarchy. The shares are publicly listed on a TSX Venture Stock Exchange and hence published price quotes are available. The aggregate amount of the investment can be summarized as follows:

	November 30, 2015	May 31, 2015
	(Unaudited)	(Audited)
Margaux Red Capital - 250,000 common shares (250,000 common shares as at May 31, 2015)	\$ 1,250	\$ 33,750
Genonovus Media Corp. - 440,000 common shares and 150,000 warrants (460,000 common shares and 150,000 warrants as at May 31, 2015)	19,800	115,000
	\$ 21,050	\$ 148,750

On October 22, 2014, the Company sold a sub-license related to food growing technology to GeoNovus Media Corp. (formerly GeoNovus Minerals Corp.) "GeoNovus". Under the agreement, Affinor sublicenses a vertical growing technology to GeoNovus for a facility in Langley, British Columbia, as well as in Uruguay, in exchange for 600,000 common shares of GeoNovus on signature of the agreement, and another 600,000 common shares six months following the signature of the agreement, subject to regulatory approval. GeoNovus will also pay a royalty of 3% to Affinor on all of its net sales. On March 31, 2015, GeoNovus informed Affinor that they will not proceed with the payment of the second tranche of 600,000 common shares and that due to a fundamental change in their business they decided to terminate the agreement. The 600,000 common shares already paid to Affinor are nonrefundable and remain the property of Affinor.

AFFINOR GROWERS INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2015 AND 2014
(Unaudited, presented in Canadian Dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Greenhouse	Land	Building	Computer equipment	Office equipment	Total
Cost						
As at June 1, 2014	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Additions during the year	948,964	163,200	176,800	4,034	5,863	1,298,861
De-consolidation of a subsidiary	-	-	-	-	(5,000)	(5,000)
As at May 31, 2015	948,964	163,200	176,800	4,034	5,863	1,298,861
Additions during the period	-	-	-	-	-	-
As at November 30, 2015	\$ 948,964	\$ 163,200	\$ 176,800	\$ 4,034	\$ 5,863	\$ 1,298,861
Accumulated amortization						
As at June 1, 2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization for the year	-	-	5,919	461	964	7,344
As at May 31, 2015	-	-	5,919	461	964	7,344
Amortization for the period	-	-	3,536	536	726	4,798
As at November 30, 2015	\$ -	\$ -	\$ 9,455	\$ 997	\$ 1,690	\$ 12,142
Net book value						
As at June 1, 2014	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
As at May 31, 2015	\$ 948,964	\$ 163,200	\$ 170,881	\$ 3,573	\$ 4,899	\$ 1,291,517
As at November 30, 2015	\$ 948,964	\$ 163,200	\$ 167,345	\$ 3,037	\$ 4,173	\$ 1,286,719

As at November 30, 2015, property, plant and equipment included a cost of \$1,288,964 related to the construction in progress of the Greenhouse project in St-Chrysostome, Quebec.

7. INTANGIBLE ASSETS

	Note	Patent
Cost		
As at June 1, 2014		\$ -
Additions during the year	11(ii)	1,494,443
As at May 31, 2015		1,494,443
Additions during the period		-
As at November 30, 2015		\$ 1,494,443
Accumulated amortization		
As at June 1, 2014		\$ -
Amortization for the year		50,406
As at May 31, 2015		50,406
Amortization for the period		41,512
As at November 30, 2015		\$ 91,918
Net book value		
As at June 1, 2014		\$ -
As at May 31, 2015		\$ 1,444,037
As at November 30, 2015		\$ 1,402,525

8. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

On August 4, 2014, Affinor acquired a 49% interest in Good to Grow LLC ("Good to Grow"), a medical Marijuana dispensary and grower located on the Olympic Peninsula in Washington State, for a consideration of US\$600,000. The consideration was payable in cash, US\$150,000 at the date of the transaction and US\$75,000 over each of the next six months. On December 1, 2014, the Company and the owner of Good to Grow mutually agreed to declare the acquisition agreement null and void without further obligation and recourse to either party. The Contract Termination Agreement has been signed on August 11, 2015 with an effective date on December 1, 2014. As at December 1, 2014, the Company had made an investment of US\$225,000 (\$250,448) in Good to Grow and according to the Contract Termination Agreement, the owner of Good to Grow agreed to reimburse US\$75,000 to Affinor (the "loan"). This amount will be reimbursed if Good to Grow obtains its I-502 license from the Washington State Liquor Control Board and its gross revenue reach US\$150,000 per month. The loan bears interest at a rate of 6% accruing from the date of the execution of the agreement. As at May 31, 2015, management established that there were objective evidence that the loan might be impaired due to the probability that the conditions would not be met. The Company recorded an impairment loss of \$250,448 for the entire amount of its investment, including the loan, in Good to Grow and was recorded in loss on disposal of investment in associates in the consolidated statement of comprehensive loss. The Company has no further obligation towards Good to Grow.

On September 8, 2014, Affinor acquired a 49% interest in Herbal Analytics LLC ("Herbal"), a Washington State testing laboratory, to provide quality control for cannabis products. Under the terms of the Membership Interest Purchase Agreement (the "membership agreement"), Affinor paid US\$150,000 (\$165,900) cash for the 49% interest in Herbal, issued 949,612 of Affinor common shares at \$0.56 (\$531,800) for a consulting agreement with the other members of Herbal and loaned US\$80,000 (\$98,096) in a repayable loan over a maximum of 4 years to Herbal. On September 23, 2014, Affinor and the three other members of Herbal amended the membership agreement and the operation agreement concluded on September 8, 2014 to rescind, and completely and immediately void, the consulting agreements concluded between Affinor and the three other members without further compensation to Affinor. As at May 31, 2015, management established that there was objective evidence that the investment in Herbal and the loan might be impaired due to the financial situation of this entity. The Company recorded an impairment loss of \$795,796 for the entire amount of the loan and of its investment in Herbal and was recorded in the impairment of investment in associates (\$697,700) and impairment of loans (\$98,096) in the consolidated statement of comprehensive loss. The Company has no further obligation towards Herbal. See note 9(ii)(b).

9. CAPITAL AND RESERVES

(i) Authorized:

At November 30, 2015, the authorized share capital was comprised of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

(ii) Share issuances:

During year ended May 31, 2015

- a. On June 24, 2014, the Company concluded an agreement for the exclusive technology license with Vertical Designs Ltd. ("VDL") a company formerly controlled by a director of Affinor. Under the terms of the agreement, the Company issued 666,666 common shares at a deemed price of \$0.76 per share to VDL and will pay a 5% royalty on the net sales of production. See note 11(ii).
- b. On September 23, 2014, the Company acquired a 49% interest in Herbal Analytics LLC, a Washington State testing laboratory. Under the term of the agreement, the Company paid US\$150,000, US\$150,000 in a repayable loan over a maximum of 4 three-month period and issued 949,612 common shares. See note 8.
- c. On September 26, 2014, the Company retained the services of Sigorex Management GMBH ("Sigorex") to provide investor relations services, subject to regulatory approval. In consideration for Sigorex's services, the Company paid a fee of US\$125,000 immediately and an additional US\$50,000 in two equal payments, one after three months and one after six months. The Company granted to three consultants a total of 300,000 incentive options stock options to purchase common shares. The options are exercisable on or before September 22, 2019 at an exercise price of \$ 0.40 per option. On December 1, 2014, the Company cancelled the investors relations agreement and only the first payment of US\$125,000 was made and the options were cancelled.
- d. On September 30, 2014, 255,000 warrants were exercised for a cash consideration of \$102,000. The fair value of \$23,942 assigned to these warrants had been reclassified from warrants to share capital.
- e. In 2014, 54,925 brokers warrants were exercised for a cash consideration of \$21,970.
- f. On October 16, 2014, the Company engaged Secure Strategy Group for financial and corporate advisory services. Under the terms of the agreement, Secure Strategy Group received a monthly cash advisory fee of US\$8,000 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.
- g. On October 17, 2014, the Company engaged Bruce Bedrick for financial and corporate advisory services. Under the terms of the agreement, Bruce Bedrick received 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. These warrants replaced the 600,000 options that were previously issued to Mr. Bedrick on September 2, 2014. The Company did modification accounting which resulted in incremental compensation cost of \$142,000. On September 11, 2015, these warrants were repriced at \$0.10 each. See note 9(ii)(r).
- h. On October 18, 2014, the Company and the D&G shareholders agreed to cancel the original agreement. The Company sold 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 sold back to the Company 2,500,000 common shares. The D&G shareholders granted 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. See note 4.

9. CAPITAL AND RESERVES *(Continued)*

(ii) Share issuances: *(Continued)*

During year ended May 31, 2015 (Continued)

- i. On October 21, 2014, the Company entered into an exclusive patent license agreement with 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 an additional 722,222 common shares of the Company at the deemed price of \$0.26 per share. In addition, 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. See note 11(ii).
- j. On December 2, 2014, the Company appointed Pierre C. Miron as VP Finance, CFO and director. Under the terms, Mr. Miron received 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 October 1, 2015, Mr. Miron resigned as the VP Finance, CFO and director and his options were amended to expire on September 30, 2017 at an exercise price of \$0.10. Similarly, Sebastien Plouffe resigned as the CEO and director of the Company on October 1, 2015 and his 1,000,000 options were amended to expire on September 30, 2017 at an exercise price of \$0.10.
- k. On December 19, 2014, the Company hired Hugh Bowman as an Advisor. Under the terms of the agreement, Mr. Bowman received 300,000 incentive stock options to purchase common shares. The options are exercisable on or before December 16, 2017, at an exercise price of \$0.25 per share.
- l. On January 12, 2015, the Company completed the acquisition and ownership, development and commercialization rights of the farming technology "Method and Apparatus for Automated Horticulture and Agriculture" Patent from VDL. Under the terms of the agreement, the Company becomes the patent holder and issued to VDL in consideration an additional 5,000,000 common shares at a price of \$0.16 per share. See note 11(ii).
- m. On January 27, 2015, the Company signed a consulting services agreement with the consulting firm PRC Partners ("PRC") Ltd. Under the terms of the agreement, PRC received 1,500,000 common shares of the Company and 500,000 stock options exercisable at \$0.15 per shares on or before July 28, 2015. The options expired without being exercised.
- n. On February 2, 2015, the Company issued 1,025,642 shares to Kodiak Capital Group in relation to an Equity Purchase Agreement and a Registration Rights Agreement. On February 26, 2015, the Company requested that the shares were cancelled since they did not proceed with the agreements. The share certificates have been received on August 4, 2015 and the shares were cancelled on September 1, 2015.
- o. On February 11, 2015, the Company closed a non-broken private placement for gross proceeds of \$105,000. The securities issued are composed of 700,000 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 24 month exercisable at \$0.30.
- p. On February 19, 2015, the Company announced that it entered into a \$30 million US equity line facility agreement with Dutchess Opportunity Fund II, a Delaware limited partnership. Access to this facility is contingent upon the Company meeting several conditions, which are not met as of the date of the financial statements. The Company will not use the line of credit until the market situation improves significantly.

9. CAPITAL AND RESERVES *(Continued)*

(ii) Share issuances: *(Continued)*

During six months ended November 30, 2015

- q. On September 11, 2015, the Company closed a non-brokered private placement for gross proceeds of \$755,000. The securities issued composed of 15,100,000 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 12 months exercisable at \$0.15. In connection with the financing, a finder's fee of \$8,750 was paid to a third party as well as \$10,500 to Haywood Securities Inc. The management and board of directors of Affinor participated for \$215,000 in the financing.
- r. On September 11, 2015, the Company settled a total of \$126,785 of debt relating to Dr. Bruce Bedrick by issuing an aggregate of 2,535,700 common shares of Affinor at a deemed price of \$0.05 per share. Dr. Bedrick's warrants were repriced at \$0.10 each, with the same maturity date of October 16, 2017. See note 9(ii)(g).
- s. On September 14, 2015, the Company granted 500,000 options to a director at a price of \$0.10 for a period of 3 years.
- t. On September 15, 2015, the Company granted 300,000 options to Palisade Capital Corp. at a price of \$0.10 for a period of 5 years.
- u. On September 15, 2015, the Company granted 100,000 options at a price of \$0.10 for a period of 2 years to a consultant.
- v. On September 30, 2015, the Company settled a total of \$78,207 of debt relating to consulting fees and service fees to certain arm's length and non-arm's length parties by issuing an aggregate of 1,303,450 common shares of Affinor at a deemed price of \$0.06 per share.
- w. On October 1, 2015, the Company granted 400,000 options at a price of \$0.10 for a period of 5 years to its new officers.
- x. On October 30, 2015, the Company closed a non-brokered private placement for gross proceeds of \$500,000. The securities issued composed of 8,333,333 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 2 years exercisable at \$0.15. In connection with the financing, a finder's fee of \$50,000 was paid and 833,333 broker warrants were issued to the third parties.
- y. On November 16, 2015, the Company granted 2,300,000 options at a price of \$0.10 for a period of 3 years to its directors, officers and consultants.

(iii) Escrow shares

As at November 30, 2015, there were 4,375,001 common shares of the Company held in escrow. 1,458,333 escrow shares will be released on May 30, 2016.

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9. CAPITAL AND RESERVES (Continued)

(iv) Warrants:

The continuity of warrants for the period ended November 30, 2015 is as follows:

Expiry date	Exercise price	May 31, 2015	Issued	Exercised	Expired	November 30, 2015
April 4, 2016	\$0.40	635,000	-	-	-	635,000
April 7, 2016	\$0.40	3,045,636	-	-	-	3,045,636
April 11, 2016	\$0.40	1,080,000	-	-	-	1,080,000
April 14, 2016	\$0.40	564,000	-	-	-	564,000
April 16, 2016	\$0.40	178,000	-	-	-	178,000
April 22, 2016	\$0.40	360,000	-	-	-	360,000
April 23, 2016	\$0.40	1,620,000	-	-	-	1,620,000
September 11, 2016	\$0.15	-	15,100,000	-	-	15,100,000
February 12, 2017	\$0.30	700,000	-	-	-	700,000
October 16, 2017	\$0.10	1,000,000	-	-	-	1,000,000
October 16, 2017	\$0.32	1,000,000	-	-	-	1,000,000
October 30, 2017	\$0.15	-	8,333,333	-	-	8,333,333
Outstanding		10,182,636	23,433,333	-	-	33,615,969
Weighted average exercise price		\$ 0.38	\$ 0.15	\$Nil	\$Nil	\$ 0.21

As of November 30, 2015, the weighted average contractual life is 1.05 years (May 31, 2015 – 1.22 years).

The weighted average assumptions used to estimate the fair value of warrants for the six months ended November 30, 2015 and 2014 were:

	Six months ended November 30, 2015	Six months ended November 30, 2014
Risk-free interest rate	0.68%	1.06%
Expected life	1.39 years	2 years
Expected volatility	232.86%	125%
Expected dividend yield	Nil	Nil

The continuity of warrants for the year ended May 31, 2015 is as follows:

Expiry date	Exercise price	May 31, 2014	Issued	Exercised	Expired	May 31, 2015
April 4, 2016	\$0.40	635,000	-	-	-	635,000
April 7, 2016	\$0.40	3,395,636	-	(350,000)	-	3,045,636
April 11, 2016	\$0.40	1,080,000	-	-	-	1,080,000
April 14, 2016	\$0.40	564,000	-	-	-	564,000
April 16, 2016	\$0.40	218,000	-	(40,000)	-	178,000
April 22, 2016	\$0.40	360,000	-	-	-	360,000
April 23, 2016	\$0.40	3,885,000	-	(2,265,000)	-	1,620,000
February 12, 2017	\$0.30	-	700,000	-	-	700,000
October 16, 2017	\$0.32	-	2,000,000	-	-	2,000,000
Outstanding		10,137,636	2,700,000	(2,655,000)	-	10,182,636
Weighted average exercise price		\$ 0.40	\$ 0.31	\$ 0.40	\$Nil	\$ 0.38

9. CAPITAL AND RESERVES (Continued)

(v) Broker's Warrants:

The continuity of broker's warrants for the period ended November 30, 2015 is as follows:

Expiry date	Exercise price	May 31, 2015	Issued	Exercised	Expired	November 30, 2015
April 4, 2016	\$0.40	85,165	-	-	-	85,165
April 14, 2016	\$0.40	108,000	-	-	-	108,000
April 16, 2016	\$0.40	13,800	-	-	-	13,800
April 23, 2016	\$0.40	8,500	-	-	-	8,500
October 30, 2017	\$0.15	-	833,333	-	-	833,333
Outstanding		215,465	833,333	-	-	1,048,798
Weighted average exercise price	\$	0.40	\$0.15	\$Nil	\$Nil	\$ 0.20

As of November 30, 2015, the weighted average contractual remaining life is 1.60 years (May 31, 2015 – 0.86 years).

The weighted average assumptions used to estimate the fair value of finder's options for the six months ended November 30, 2015 and 2014 were:

	Six months ended November 30, 2015	Six months ended November 30, 2014
Risk-free interest rate	0.62%	Nil
Expected life	2 years	Nil
Expected volatility	305.33%	Nil
Expected dividend yield	Nil	Nil

The continuity of broker's warrants for the year ended May 31, 2015 is as follows:

Expiry date	Exercise price	May 31, 2014	Issued	Exercised	Expired	May 31, 2015
April 4, 2016	\$0.40	140,090	-	(54,925)	-	85,165
April 14, 2016	\$0.40	108,000	-	-	-	108,000
April 16, 2016	\$0.40	13,800	-	-	-	13,800
April 23, 2016	\$0.40	8,500	-	-	-	8,500
Outstanding		270,390	-	(54,925)	-	215,465
Weighted average exercise price	\$	0.40	\$Nil	\$ 0.40	\$Nil	\$ 0.40

(vi) Share Purchase Options Compensation Plan:

The Company maintains a share-based payment plan (the "Plan") whereby the Board of Directors may from time to time grant to directors, officers, employees 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 market 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 9,984,836 shares on November 30, 2015.

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9. CAPITAL AND RESERVES (Continued)

(vi) Share Purchase Options Compensation Plan: (Continued)

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 for the six months ended November 30, 2015 is as follows:

Expiry date	Exercise price	May 31, 2015	Granted	Exercised	Expired/ cancelled	November 30, 2015			
December 30, 2015 *	\$ 0.25	300,000	-	-	-	300,000			
May 1, 2016	\$ 0.15	50,000	-	-	(50,000)	-			
September 15, 2017	\$ 0.10	-	100,000	-	-	100,000			
September 30, 2017	\$ 0.10	1,800,000	-	-	(500,000)	1,300,000			
November 20, 2017	\$ 0.30	200,000	-	-	(200,000)	-			
December 16, 2017	\$ 0.25	100,000	-	-	-	100,000			
September 14, 2018	\$ 0.10	-	500,000	-	-	500,000			
October 5, 2018	\$ 0.15	200,000	-	-	-	200,000			
November 16, 2018	\$ 0.10	-	2,300,000	-	-	2,300,000			
April 1, 2019	\$ 0.33	100,000	-	-	(100,000)	-			
April 8, 2019	\$ 0.35	300,000	-	-	(300,000)	-			
April 14, 2019	\$ 0.42	1,000,000	-	-	(1,000,000)	-			
April 23, 2019	\$ 0.33	200,000	-	-	-	200,000			
April 24, 2019	\$ 0.33	100,000	-	-	-	100,000			
May 9, 2019	\$ 0.49	250,000	-	-	-	250,000			
May 27, 2019	\$ 0.49	100,000	-	-	-	100,000			
May 30, 2019	\$ 0.80	100,000	-	-	-	100,000			
June 2, 2019	\$ 0.85	100,000	-	-	-	100,000			
June 5, 2019	\$ 1.03	100,000	-	-	-	100,000			
June 19, 2019	\$ 0.71	100,000	-	-	(100,000)	-			
June 27, 2019	\$ 0.67	200,000	-	-	-	200,000			
July 4, 2019	\$ 0.85	100,000	-	-	(100,000)	-			
August 11, 2019	\$ 0.47	300,000	-	-	-	300,000			
September 22, 2019	\$ 0.40	300,000	-	-	(300,000)	-			
October 28, 2019	\$ 0.25	200,000	-	-	-	200,000			
April 2, 2020	\$ 0.15	300,000	-	-	(300,000)	-			
August 17, 2020 **	\$ 0.10	-	1,000,000	-	-	1,000,000			
August 17, 2020 **	\$ 0.20	-	1,000,000	-	-	1,000,000			
September 15, 2020	\$ 0.10	-	300,000	-	-	300,000			
October 1, 2020	\$ 0.10	-	400,000	-	-	400,000			
Options outstanding		6,500,000	5,600,000	-	(2,950,000)	9,150,000			
Options exercisable		6,500,000	5,600,000	-	(2,950,000)	9,150,000			
Weighted average exercise price	\$	0.34	\$	0.12	\$Nil	\$	0.32	\$	0.19

* Subsequent to November 30, 2015, 300,000 options expired on December 30, 2015.

** Subsequent to November 30, 2015, 2,000,000 options expired on January 24, 2016.

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9. CAPITAL AND RESERVES (Continued)

(vi) Share Purchase Options Compensation Plan: (Continued)

As of November 30, 2015, the weighted average contractual remaining life is 3.31 years (May 31, 2015 – 3.62 years).

A summary of changes in the Company's common share purchase options for the year ended May 31, 2015 is as follows:

Expiry date	Exercise price	May 31, 2014	Granted	Exercised	Expired/ cancelled	May 31, 2015
July 28, 2015	\$ 0.15	-	500,000	(500,000)	-	-
May 1, 2016	\$ 0.15	-	50,000	-	-	50,000
November 20, 2017	\$ 0.30	-	200,000	-	-	200,000
December 2, 2017	\$ 0.22	-	300,000	-	-	300,000
December 16, 2017	\$ 0.25	-	100,000	-	-	100,000
December 18, 2017	\$ 0.25	-	300,000	-	-	300,000
July 31, 2018	\$ 0.10	1,500,000	-	-	-	1,500,000
October 5, 2018	\$ 0.15	-	200,000	-	-	200,000
February 20, 2019	\$ 0.05	250,000	-	(250,000)	-	-
March 24, 2019	\$ 0.10	420,000	-	(420,000)	-	-
April 1, 2019	\$ 0.33	100,000	-	-	-	100,000
April 8, 2019	\$ 0.35	600,000	-	(300,000)	-	300,000
April 14, 2019	\$ 0.42	1,000,000	-	-	-	1,000,000
April 23, 2019	\$ 0.33	200,000	-	-	-	200,000
April 24, 2019	\$ 0.33	100,000	-	-	-	100,000
May 9, 2019	\$ 0.49	250,000	-	-	-	250,000
May 27, 2019	\$ 0.49	100,000	-	-	-	100,000
May 30, 2019	\$ 0.80	100,000	-	-	-	100,000
June 2, 2019	\$ 0.85	-	100,000	-	-	100,000
June 5, 2019	\$ 1.03	-	100,000	-	-	100,000
June 19, 2019	\$ 0.71	-	100,000	-	-	100,000
June 27, 2019	\$ 0.67	-	200,000	-	-	200,000
July 4, 2019	\$ 0.85	-	100,000	-	-	100,000
August 11, 2019	\$ 0.47	-	300,000	-	-	300,000
September 2, 2019	\$ 0.57	-	600,000	-	(600,000)	-
September 22, 2019	\$ 0.40	-	300,000	-	-	300,000
October 28, 2019	\$ 0.25	-	200,000	-	-	200,000
April 2, 2020	\$ 0.15	-	300,000	-	-	300,000
Options outstanding		4,620,000	3,950,000	(1,470,000)	(600,000)	6,500,000
Options exercisable		4,620,000	3,950,000	(1,470,000)	(600,000)	6,500,000
Weighted average exercise price	\$	0.26	\$ 0.38	\$ 0.16	\$ 0.57	\$ 0.33

9. CAPITAL AND RESERVES *(Continued)*

(vi) Share Purchase Options Compensation Plan: *(Continued)*

The weighted average assumptions used to estimate the fair value of options for the six months ended November 30, 2015 and 2014 were:

	Six months ended November 30, 2015	Six months ended November 30, 2014
Risk-free interest rate	1.23%	1.536%
Expected life	3.95 years	5 years
Expected volatility	328.21%	125%
Expected dividend yield	Nil	Nil

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

10. LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the six months ended November 30, 2015 was based on the loss attributable to common shareholders of \$1,048,716 (November 30, 2014 – \$2,745,590) and a weighted average number of common shares outstanding of 82,131,615 (November 30, 2014 – 62,704,399).

Diluted loss per share did not include the effect of 9,150,000 share purchase options, 1,048,798 broker's warrants and 33,615,969 warrants for the six months ended November 30, 2015 (November 30, 2014 – 5,450,000 share purchase options, 215,465 broker's warrants and 9,482,636 warrants) as they are anti-dilutive.

11. 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:

(i) Transactions with key management personnel

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

For the six months ended November 30, 2015

	Short-term employee benefits	Social security cost	Other long-term benefits	Termination benefits	Share-based payments	Total
Jarrett Malnarick Chief Executive Officer ^(a)	\$ 51,000	\$ 184	\$ Nil	\$ Nil	\$ 38,440	\$ 89,624
Mark T. Brown Chief Financial Officer ^(b)	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ 15,970	\$ 15,970
Hyder Ali Khoja Chief Scientific Officer	\$ 33,333	\$ 2,470	\$ Nil	\$ Nil	\$ Nil	\$ 35,803
Pierre Miron Former Chief Financial Officer ^(c)	\$ 27,931	\$ 3,202	\$ Nil	\$ 15,000	\$ Nil	\$ 46,133

For the six months ended November 30, 2014

	Short-term employee benefits	Social security cost	Other long-term benefits	Termination benefits	Share-based payments	Total
Jarrett Malnarick Chief Operating Officer ^(a)	\$ 40,586	\$ 2,783	\$ Nil	\$ Nil	\$ 118,984	\$ 162,353
Tegan Adams Former Chief Operating Officer	\$ 19,315	\$ 3,752	\$ Nil	\$ 32,500	\$ Nil	\$ 55,567

11. RELATED PARTY TRANSACTIONS *(Continued)*

(i) Transactions with key management personnel *(Continued)*

Related party liabilities

	Services	Six months ended		Balance due	
		November 30, 2015	November 30, 2014	As at November 30, 2015	As at May 31, 2015
Amounts due to:					
Jarrett Malnarick Chief Executive Officer ^(a)	Salaries and share-based payment	\$ 89,624	\$ 159,328	\$ -	\$ 13,695
Pierre Miron Former Chief Financial Officer ^(c)	Salaries and share-based payment	\$ 46,133	\$ -	\$ -	\$ 15,761
Hyder Ali Khoja Chief Scientific Officer	Salaries	\$ 35,803	\$ -	\$ -	\$ 6,149
Pacific Opportunity Capital Ltd. ^(b)	Management and accounting services	\$ 19,000	\$ -	\$ -	\$ -
Aboriginal Import Export ^(d)	Management fees	\$ 58,000	\$ 75,000	\$ 8,400	\$ 32,812
SEDIAMEK Inc. ^(e)	Management fees	\$ 91,244	\$ 75,000	\$ -	\$ 6,978
SKTM Financial Corporation Ltd. ^(f)	Accounting services	\$ -	\$ 42,000	\$ -	\$ -
Fast Creative Inc. ^(g)	Consulting fees	\$ -	\$ 30,000	\$ 1,008	\$ 13,400
Integra Construction Ltd. ^(h)	Consulting fees	\$ -	\$ 64,998	\$ -	\$ 11,375
TOTAL:				\$ 9,408	\$ 100,170

- (a) Jarrett Malnarick was appointed as the Chief Executive Officer and resigned from being the Chief Operating Officer effective October 1, 2015.
- (b) Mark T. Brown was appointed as the Chief Financial Officer effective October 1, 2015. Mr. Brown is the president of Pacific Opportunity Capital Ltd., a private company.
- (c) Pierre Miron was appointed as the Chief Financial Officer effective December 2, 2014 and resigned on September 30, 2015.
- (d) Aboriginal Import Export, a company controlled by a director of the Company.
- (e) SEDIAMEK Inc., a company controlled by a former officer of the Company.
- (f) SKTM Financial Corporation Ltd., a company controlled by a former officer of the Company.
- (g) Fast Creative Inc., a company controlled by a former director of the Company.
- (h) Integra Construction Ltd., a company controlled by a former director of the Company.

11. RELATED PARTY TRANSACTIONS *(Continued)*

(ii) Transactions with a company formerly controlled by a director

On June 23, 2014, Affinor acquired an exclusive license to grow market-ready strawberries using automated, software-driven, vertical farming technology from Vertical Designs Ltd. ("VDL"), a company formerly controlled by a director of Affinor. This license was acquired for the use of the technology "*Method and Apparatus for Automated Horticulture and Agriculture*" on the territory of the province of Saskatchewan, Canada. Affinor paid an initial, up-front non-refundable entry fee by the issuance of 666,666 shares of Affinor at the date of the transaction valued at \$506,666, being the market price of the shares issued at date of issuance. In addition, Affinor would have paid to VDL a royalty payment of 5% of the net sale of the licensed products. No royalties have been recorded for the period ended August 31, 2015. This license remains in force for the unexpired term of the patent which was estimated to 18 years.

On October 21, 2014, Affinor and VDL agreed to terminate the license agreement concluded on June 23, 2014 and replaced it by a new license agreement. This new license agreement was acquired also to grow market-ready strawberries using automated, software-driven, vertical farming technology from VDL. The license was acquired for a worldwide use of the technology, other than the Canadian provinces of Alberta, Ontario, Newfoundland, Nova Scotia, New Brunswick and Prince Edward Island. Affinor paid an additional initial, up-front non-refundable entry fee by the issuance of 722,222 shares based on the weighted average price for the ten days immediately prior to the date of the transaction, over and above the 666,666 shares of Affinor issued on June 23, 2014. The additional consideration, valued at \$187,777 was valued at the market price of the shares at the issuance date. In addition, Affinor would have paid to VDL the following royalties:

- a. an amount equal to 50% of any licensing fee or royalty received by Affinor from the sublicense sold after January 1, 2017;
- b. an amount equal to 50% of Affinor's gross margin from the sale of licensed equipment or any equipment incorporating the licensed patent, in respect of licensed equipment sold after January 1, 2017; and
- c. a royalty payment corresponding to 50% of any fees paid to Affinor by sublicenses, other than those specified in (a) and (b) above, received after January 1, 2017.

The term of this agreement was for an initial term of five years and shall be automatically renewed for successive periods of one year, unless either party provides, within 90 days of the expiration of any given term, written notice of its intention not to renew for the upcoming term.

On January 12, 2015, Affinor completed the acquisition of the ownership and commercialization rights of the farming technology "*Method and Apparatus for Automated Horticulture and Agriculture*" Patent from VDL for a consideration paid by the issuance of an additional 5 million shares valued at \$800,000, being the market price of the shares issued at date of issuance, over and above the 1,388,888 shares of Affinor issued on June 23, and October 21, 2014. This patent has been patented in 2013 and the remaining years of this Canadian patent is 18 years. Affinor also acquired the option to buy the vertical technology for a consideration of \$1 million by the issuance of shares based on the then market price of the shares of the Company when this technology will be patented.

See note 17.

(iii) Other related party transactions

Refer to note 4 for business acquisition under common control transaction.

During the year ended May 31, 2015, the Company paid legal fees of \$110,000 on behalf of Herbal Analytics LLC, Herbal Analytics LLC's management, Affinor Growers LLC and a director to defend in the "Abbatis" case. The Abbatis case was resolved in May 2015.

12.SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company entered into the following transactions which had no impact on the cash flow :

	Six months ended	
	November 30, 2015	November 30, 2014
Acquisition of intangibles in exchange of common shares	\$ -	\$ 723,888
Acquisition of interest on private company in exchange of common shares	\$ -	\$ 541,940
Issuance of common shares in exchange of consultant and management services	\$ -	\$ 246,026
Issuance of common shares in exchange of debt settlement	\$ 204,992	\$ -

13.FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The fair values of the Company's cash, other receivables, investments available for sale, accounts payables and accrued liabilities, and due to related parties approximate their carrying values because of the short-term nature of these instruments.

The Company's financial instruments are exposed to certain financial risks, including market risk, liquidity risk, credit risk and currency risk.

(i) Market risk

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, such as foreign exchange rates and interest rates. The objectives of the Company are to ensure cash inflows in the short and medium term, while reducing exposure to capital markets. The Company is exposed to market risk from its investments available for sale. The Company does not trade in financial assets for speculative purposes.

(ii) 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. The Company also issued shares and share instruments as consideration for investments, compensation and services.

As at November 30, 2015 and May 31, 2015, 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, 2015, the Company presents a negative working capital of \$51,112. The ability of the Company to continue its activities relies upon the supports of its suppliers and obtaining additional financing.

(iii) 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 is held with a Canadian chartered bank which reduces the risks. The Company's credit risk relates to cash balances and other receivables.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(Continued)*

(iv) Currency risk

The Company is exposed to currency risk arising from exchange rate fluctuations against its reporting Canadian currency. Currency transaction risk is the impact of exchange rate fluctuations on the Company's Statement of Operations, which is the effect of currency rates on expected future cash flows and investments. The principal foreign exchange transaction exposure comprises both the geographical location of the Company's sales of licence in the USA and the sourcing of raw material, labour and overhead office being in Canadian dollar.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as at November 30, 2015 and May 31, 2015.

As at November 30, 2015	Level 1	Level 2	Level 3	Total
Assets:				
Cash	\$ 128,831	\$ -	\$ -	\$ 128,831
Investments available for sale	21,050	-	-	21,050
	\$ 149,881	\$ -	\$ -	\$ 149,881

As at May 31, 2015	Level 1	Level 2	Level 3	Total
Assets:				
Cash	\$ 2,662	\$ -	\$ -	\$ 2,662
Investments available for sale	148,750	-	-	148,750
	\$ 151,412	\$ -	\$ -	\$ 151,412

14.MANAGEMENT OF CAPITAL RISK

The Company manages its cash and cash equivalents, common shares, warrants, finder's options and share purchase options as capital (see Note 9). The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents held.

In order to maximize ongoing operating efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The objective of the Company's capital management is to preserve its ability to continue its operations. This objective will be achieved by identifying the right 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.

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. The Company is not subject to external capital requirements. There were no changes in the Company's approach to capital management during the period.

15.COMMITMENTS AND CONTINGENCY

The Company's future minimum operating lease payments are as follows

On July 2, 2015, a lien of \$48,519 was registered on the construction in progress in favor of 9170-3694 Québec Inc.

16.SEGMENTED FINANCIAL INFORMATION

The Company operates in one industry segment of producing strawberries and other crops such as romaine lettuce and herbs using vertical farming technology. The Company operates in North America.

17.EVENT AFTER THE REPORTING PERIOD

On December 22, 2015, the Company signed the second IP acquisition agreement with Vertical Designs Ltd. to acquire both the remaining Patents regarding the proprietary vertical farming systems, and the license agreements with certain partners covering various provinces of Canada. The Patents are now in the process of being transferred to Affinor.

The technology acquisition agreement calls for the issuance of 10 million common shares to the vendor, Vertical Designs Ltd., upon the completion of the transfer of the Patents to Affinor, which is currently underway and expected to be completed in 30 to 60 days. The shares were issued at an agreed upon value of \$0.10 per share and will have a four month hold period, valuing the transaction at a \$1 million purchase price, as in the original option agreement.