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**AFFINOR GROWERS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2015**

**INTRODUCTION**

This is Management's Discussion and Analysis ("MD&A") for Affinor Growers Inc. ("Affinor" or the "Company") and has been prepared based on information known to management as of January 27, 2016. This MD&A is intended to help the reader understand the condensed consolidated interim financial statements of Affinor.

The following information should be read in conjunction with the unaudited condensed consolidated interim financial statements and the related notes for the six months ended November 30, 2015 and the Company's audited consolidated financial statements for the year ended May 31, 2015 and the related notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A provides a review of the performance of the company for the six months ended November 30, 2015. Additional information relating to the Company can be found on SEDAR [www.sedar.com](http://www.sedar.com).

Management is responsible for the preparation and integrity of the condensed consolidated interim financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management also ensures that information used internally or disclosed externally, including the condensed consolidated interim financial statements and MD&A, is complete and reliable.

The Company's board of directors follows recommended corporate-governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management regularly to review the consolidated financial statements, including the MD&A, and to discuss other financial, operating and internal-control matters.

All currency amounts are expressed in Canadian dollars unless otherwise noted.

**FORWARD LOOKING STATEMENTS**

Certain sections of this MD&A provide, or may appear to provide, a forward-looking orientation with respect to the Company's activities and its future financial results. Consequently, certain statements contained in this MD&A constitute express or implied forward-looking statements. Terms including, but not limited to, "anticipate", "estimate", "believe" and "expect" may identify forward-looking statements. Forward-looking statements, while they are based on the current knowledge and assumptions of the Company's management, are subject to risks and uncertainties that could cause or contribute to the actual results being materially different than those expressed or implied. Readers are cautioned not to place undue reliance on any forward-looking statement that may be in this MD&A.



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The following forward looking statements have been made in this MD&A:

- Impairment of intangible assets;
- The progress, potential and uncertainties of the Company's plant in Quebec, Canada;
- The potential and uncertainties of the Company's sales; and
- Expectations regarding the ability to raise capital and to continue its development of the vertical farming technology.

## **ADDITIONAL INFORMATION**

Financial statements, MD&A's and additional information relevant to the Company and the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com), and/or on the Company's website at [www.affinorgrowers.com](http://www.affinorgrowers.com).

## **SUMMARY AND OUTLOOK**

Affinor is focused on the design, development and commercialization of vertical farming technology for both indoor and outdoor (greenhouse) applications. The team is currently working on demand crops such as romaine lettuce and strawberries by developing processes, methods and models to cultivate true perpetual crops at competitive pricing.

It is the mission of Affinor to be 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.

Affinor's patent technology and licensed patent pending technology positions the Company well in the vertical farming industry. It is the only vertically integrated technology that can offer patented inline automated pollination for fruiting crops. Affinor can offer software driven growing solutions automating high quality, scientifically engineered products and process.

Our plan for 2016 is to continue to focus on becoming the leading technology developer and distributor of vertical farming equipment in order to help solve food security problems by using our proprietary growing and cultivation systems. With the help of our strategic partners and our technical team, Affinor's immediate plans in 2016 include continuing the development and commercialization of the patented technology and equipment, validation through third party partners, and developing pilot plants to prove commercialization and revenue models.

## **Commercial Trial and Development**

Affinor's commercial customer and partner is one of the largest fresh food and produce growers and distribution companies in North America and has a very strong reach into the produce industry.

Starting in December 2015, Affinor is testing our greenhouse vertical farming technology using a single 4-level tower for commercial strawberry production. A single 140 square foot space that



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typically yielded 8 plants per square meter was replaced with Affinor growing technology. That same 140 square feet is now yielding 21 plants per square meter, with vertical room to add another 6 levels for a potential 52 plants per square meter. The project allows Affinor to test and demonstrate our technology within a commercial environment proving our concepts and designs.

Success of this small operation has tremendous potential to see Affinor grow its revenues very quickly.

### **Pilot Plant and Commercialization**

Affinor's development partner, the University of the Fraser Valley in British Columbia, is known for its "Agriculture of Excellence" program. The University has world-class professors and experts in agriculture development. Our plan in 2016 is to install a pilot plant consisting of 4, 10 level vertical farming towers within the university's technologically advanced diffusion greenhouse which is built and available now. The pilot plant will be used to generate revenue for the local market, prove operational assumptions and provide equipment validation, robotic automation and commercialization. Future plans include expanding the pilot plant to a commercial plant encompassing the full 6,000 square foot greenhouse demonstrating the full potential of the technology.

This operation will be used to study and improve Affinor's technology, generate revenues from strawberry sales, and as a showcase for sales and development.

### **Residential Home Vertical Growing Systems - Product Development**

There has been a steady demand for smaller residential or "home use" vertical growing systems. Affinor is currently designing and developing a smaller outdoor greenhouse vertical growing system specifically for residential purposes. Affinor has partnered with University of the Fraser Valley to help validate and demonstrate the new technology starting in April 2016.

Affinor plans to set up an initial test location for the home use vertical growing system in 2016.

### **St-Chrysostome Greenhouse Facility**

Affinor's commercial greenhouse facility is in the City of St-Chrysostome, Quebec. It will eventually be the flagship greenhouse showcasing all of Affinor's technology and capabilities. This will be the first of its kind and it will supply organic strawberries and other crops grown to Eastern Canada and the Eastern seaboard of the United States.

To date Affinor has completed the following items for this facility:

1. Permit to build issued.
2. Surveyed for property lines and building position.
3. Geotechnical survey and report completed.



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4. Access road and foundation completed.
5. Perimeter foundation completed.
6. Anchor columns positioned for frame support.
7. Engineering drawings for structure, foundation and seismic equipment frames complete and certified by Roche Engineering.
8. Greenhouse structural frame and supports have been manufactured and are currently being stored at the fabricators facility.
9. Subcontractors for construction and support work sourced.
10. Environment controls and mechanical system design based on climate modeling for location and required operating conditions completed by mechanical engineer.
11. Mechanical Engineer for heating / cooling system design, configuration, electrical configuration and energy strategies based on climate modeling retained.

The project is strategically important to Affinor as the facility is a "working prototype" proof of concept for its Vertical Growing technologies and proprietary cultivation systems. The goal is to increase greenhouse efficiency by a further 10 - 12 times per square meter. Affinor's business plan includes the licensing of this technology to other strategic companies around the world.

The facility requires further financing before going to the next construction phase.



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## **1. Background**

The Company was incorporated under the Canadian Business Corporations Act on August 27, 1996. The Company is a diversified publicly traded company on the Canadian Securities Exchange under the symbol "AFI" and is also listed on the Frankfurt Stock Exchange under the symbol "1AF" as well as on the US OTCQB under the symbol "RSSFF".

The Company began as Affinor Resources Inc., a company with mining projects in Québec, Canada. The Company recognized a great opportunity when it discovered a team that was developing a system to mass produce pesticide-free, non-Genetically Modified Organism ("GMO") plants.

## **2. Overview**

The Company is focusing on developing vertically integrated farming technology and in demand crop model to mass produce, high quality, produce for global distribution. The team is currently working towards becoming a supplier of vertical farming technologies and proprietary processes for strawberries and other crops such as romaine lettuce and herbs in North America.

The Company plans to offer solutions for fresh, non-GMO, delicious food grown in environments without pesticides or chemicals. The Company began the construction of a facility in the province of Quebec to grow dark, leafy green vegetables such as Spinach, Lettuce and Strawberries with a near zero-water waste. The Company plans to be an industry leader growing water-fed, nutrient rich strawberries, free of sprayed chemicals, food dyes, mold, field rot and pesticides.

The Company's proprietary technologies control precise combinations of light, temperature, water, and nutrients to create specific growing conditions that result in optimum crop production, product quality and shelf life. To the knowledge of the Company, no current growing methods compare to the Company's software-driven, automation technology that results in Grade A1 mechanically pollinated strawberries.

The high demand for strawberries, lettuce, and other crops is due to a lack of domestic consistent suppliers. Canada may be home to some of the best organic berry-growing conditions in the world, but its short growing season has created a strong demand for what the Company's technology can produce in a reliable efficient manner.



### **3. Highlights Summary**

The following is a brief description of the activities incurred by the Company during this current fiscal period. Additional information can be obtained from the Company's website ([www.affinorgrowers.com](http://www.affinorgrowers.com)).

The Company completed 2 private placements raising a total of \$1,255,000 and settling \$204,992 in debt by issuing shares (see section 6(d) "Liquidity and Capital Resources" section).

On November 23, 2015, the Company announced that it shipped the first test machine to a major food producer / distributor in Michigan State. On December 7, 2015, the Company announced that it installed the vertical farming growing system in late November while the strawberry plants were planted in early December. Furthermore, on January 14, 2016, the Company announced that the test running was on pace and doing very well. The equipment was used in a large scale commercial facility as it has been designed for mass production of strawberries with mechanical pollination in the most automated form. This first commercial test, once completed, will enable the Company to achieve a new milestone toward Strawberry Production, Food Security, and Food Safety. The Company expects the plants to bear fruit within the next 60 days.

On December 21 2015, the Company announced that it signed a Memorandum of Understanding ("MOU") with the University of the Fraser Valley ("UFV") to install two automated residential vertical growing towers in new BIO POD greenhouses slated for construction in Surrey, British Columbia. This installation allows Affinor to implement an innovative residential design and begin scaling operations for wholesale production, packaging, and international distribution of clean, safe, fresh food. This opportunity also helps in developing a new generation of technology that has the potential to tremendously increase food security without the need to develop more agricultural land resources. The partnership represents the start of a new era in agriculture production. Affinor is proud to partner with UFV and believes the combination will result in the mass production of fruit and vegetables for consumers, while enhancing sustainability and adding to the global agricultural knowledge-base.

On January 12, 2016, the Company announced the signing of another MOU with the UFV, detailing the collaboration and utilization of Affinor's leading edge vertical farming technology in full-scale production mode. Grade A strawberries will be produced using an existing light-diffused polycarbonate greenhouse (manufactured by BW GLOBAL FREEFLOW) on the UFV campus in Chilliwack, BC. It is anticipated this operation will generate revenue from strawberry sales on a small scale at first, with expansion potential. This venture will also explore new agriculture methods and provide opportunities for the University of the Fraser Valley in pioneering new methods of production. The first run strawberry vertical production in BC could start as soon as the summer of 2016 and data collected from this operation will be compared with yields from existing operations in Michigan. This information will help prove the production capability of Affinor's vertical growing tower technology."

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 the Company.

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.

On October 30, 2015, Gary Lloyd resigned from the board of directors and on November 20, 2015, David Mack joined the board.

#### **4. Risks and Uncertainties**

The Company is subject to a number of risks and uncertainty associated with the successful development of its major crop products, such as romaine lettuce and strawberries, and with the financing requirements of its operations. The attainment of profitable operations is dependent upon future events, including the successful completion of technology crop feasibility studies, energy saving strategies and crop modeling for the Greenhouse project in Quebec, Canada. Commercialization of its products and technology is dependent on obtaining adequate financing to complete its commercialization plans.

The Company's success depends on a number of factors, many of which are beyond its control. The primary risk factors affecting the Company include inherent risks in the agricultural industry, produce price fluctuations and currencies.

##### *Inherent risks within the agricultural industry*

The commercial viability of agricultural facility depends on many factors, not all of which are within the control of management. Some of the factors that will affect the financial viability of a given produce include global demand and global supply. Other factors such as government subsidies, regulation and taxes could also have an impact on the economic viability of an agricultural facility.

There is no assurance at this time that the Company's agricultural facility or development will be economically viable.

##### *Prices for produce*

Produce prices are subject to price fluctuations and have a direct impact on the commercial viability of the Company's agricultural facility and development. Price volatility results from a variety of factors, including global consumption and demand, international economic and political trends, fluctuations in the US dollar and other currencies, interest rates, and inflation. The Company has not hedged any of its potential future produce sales.

##### *Foreign currency risks*

The Company uses the Canadian dollar as its measurement and reporting currency, and therefore fluctuations in exchange rates between the Canadian dollar and other currencies may





affect the results of operations and financial position of the Company. The Company does not currently have any foreign currency or commercial risk hedges in place.

The Company raises the majority of its equity financings in Canadian dollars while some of its operations are conducted in US dollars. Fluctuations in the exchange rates between the Canadian dollar and US dollar may impact the Company's financial condition.

#### **5. Impairment of Intangible Assets**

The Company completed an impairment analysis as at November 30, 2015 and concluded that no impairment charge was required because:

- the patents have 18 years of life;
- there have been no significant changes in the legal factors or climate that affects the lives of the patents;
- the Company's continued development of its vertical farming technology using the patents; and
- the potential sales or joint researches that the Company has had thus far.



## 6. Material Financial and Operations Information

### 6(a) Selected Annual Financial Information

#### Selected Annual Information

	Year Ended May 31, 2015	Year Ended May 31, 2014	Year Ended May 31, 2013
Total revenues	\$ 285,714	\$ -	\$ -
Loss before investments, financing and income taxes	(4,022,595)	(8,153,562)	(233,877)
Loss on investments	(314,303)	-	-
Impairment of investment, option and loans	(1,026,700)	-	-
Loss for the year	(5,356,262)	(8,121,543)	(233,877)
Loss per share	(0.08)	(0.22)	(0.02)
Total assets	2,985,490	2,164,849	142,829
Total long-term financial liabilities	-	-	-
Cash dividends declared – per share	N/A	N/A	N/A

### 6(b) Summary of Quarterly Results

The following is a summary of the Company's financial results for the last eight quarters:

Three months ended				
	November 30, 2015	August 31, 2015	May 31, 2015	February 28, 2015
Total revenues	\$ 25,000	\$ 522	\$ -	\$ 190,262
Net loss	\$ (589,869)	\$ (458,847)	\$ (1,800,961)	\$ (809,711)
Loss per share	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.01)

Three months ended				
	November 30, 2014	August 31, 2014	May 31, 2014	February 28, 2014
Total revenues	\$ 48,689	\$ 46,763	\$ -	\$ -
Net loss	\$ (1,353,648)	\$ (1,391,942)	\$ (7,904,653)	\$ (120,771)
Loss per share	\$ (0.02)	\$ (0.02)	\$ (0.22)	\$ -

### 6(c) Review of Operations and Financial Results

For three months ended November 30, 2015 and three months ended November 30, 2014

During the three months ended November 30, 2015, the Company reported a loss of \$589,869 (\$0.01 loss per share) (2014 – \$1,353,648 (\$0.02 loss per share)).

Excluding the non-cash amortization of \$23,295 (2014 – \$9,451) and share-based payment of \$138,762 (2014 - \$628,451), the Company's general and administrative expenses amounted to \$448,463 during the three months ended November 30, 2015 (2014 – \$751,948), a decrease of \$303,485. The reason for the change was a result of conserving cash by decreasing the professional fees and consulting fees (2015 - \$286,543; 2014 - \$541,403) and other operating expenses (2015 - \$12,819; 2014 - \$89,523).

#### For six months ended November 30, 2015 and six months ended November 30, 2014

During the six months ended November 30, 2015, the Company reported a loss of \$1,048,716 (\$0.01 loss per share) (2014 – \$2,745,590 (\$0.04 loss per share)).

Excluding the non-cash amortization of \$46,310 (2014 – \$14,821) and share-based payment of \$303,736 (2014 - \$1,222,665), the Company's general and administrative expenses amounted to \$709,259 during the six months ended November 30, 2015 (2014 – \$1,613,640), a decrease of \$904,381. The reason for the change was a result of conserving cash by decreasing the professional fees and consulting fees (2015 - \$355,110; 2014 - \$1,034,780) and other operating expenses (2015 - \$45,024; 2014 - \$293,625).

#### **6(d) Liquidity and Capital Resources**

The Company continued to utilize its cash resources to fund its administrative requirements and product development. As the Company does not currently generate revenue, cash balances, unless replenished by capital fundraising, will continue to decline as funds are utilized to conduct its operations.

In order to fund the Company's ongoing operational needs, the Company will need funding through equity or debt financing, joint venture arrangements or a combination thereof. The Company's operations to date have been financed by the issuance of its common shares, share options and warrants, debt instruments and government assistance. The Company continues to seek capital through various means including the issuance of equity and debt. While the Company has been successful in raising funds in the past, there is no assurance that it will continue to do so in the future or that it will be available on a timely basis or on terms acceptable to the Company.

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 month 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.

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.

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.

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 year 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.

On November 30, 2015 the Company had a negative working capital of \$51,112 (negative working capital of \$625,319 as at May 31, 2015) including cash of \$128,831 (\$2,662 as at May 31, 2015) and had an accumulated deficit of \$20,977,468 (\$19,928,752 as at May 31, 2015) and had incurred a loss of \$1,048,716 for the six months ended November 30, 2015 (\$2,745,590 for the six months ended November 30, 2014).

The Company's business plan is dependent on raising additional funds to finance its operations and the development of its Greenhouse project in Quebec, Canada 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.

The condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these condensed consolidated interim financial statements, then adjustments, which could be material, would be necessary to the carrying value of assets and liabilities, revenues and expenses and classification in statement of financial position.

As of the date of this MD&A, the Company has commitments and contingencies as outlined in section 6(f).

#### **6(e) Disclosure of Outstanding Share Data**

The authorized share capital of the Company consists of an unlimited number of common shares without par value. As at November 30, 2015, the Company's share capital was \$17,282,308 (May 31, 2015 - \$16,451,212) representing 99,848,361 common shares (May 31, 2015 – 72,575,878 common 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.



During the six months ended November 30, 2015, the Company granted a total of 5,600,000 options to its directors, officers and consultants at exercise prices ranging from \$0.10 to \$0.20, with expiry dates between September 15, 2017 and October 1, 2020.

On September 30, 2015, Pierre Miron and Sebastien Plouffe resigned as officers and directors of the Company and as part of their compensation, their options totaling 1,300,000 were amended to expire on September 30, 2017 with an exercise price of \$0.10.



Stock option transactions and the number of stock options are summarized 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.



The continuity of warrants for the six months 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
<b>Outstanding</b>		<b>10,182,636</b>	<b>23,433,333</b>	<b>-</b>	<b>-</b>	<b>33,615,969</b>
Weighted average exercise price		\$ 0.38	\$ 0.15	\$Nil	\$Nil	\$ 0.21

The continuity of broker's warrants for the six months 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
<b>Outstanding</b>		<b>215,465</b>	<b>833,333</b>	<b>-</b>	<b>-</b>	<b>1,048,798</b>
Weighted average exercise price		\$ 0.40	\$0.15	\$Nil	\$Nil	\$ 0.20

If the remaining options, warrants, finder's options, including the warrants associated with the finder's options, were exercised, the Company's available cash would increase by \$8,757,740.

As of the date of this MD&A, there were 99,848,361 common shares issued and outstanding and 141,363,128 common shares outstanding on a diluted basis.

## 6(f) Commitment and Contingency

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

## 6(g) Off-Balance Sheet Arrangements

None.

## 6(h) Transactions with Related Parties

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:

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 <sup>(a)</sup>	\$ 51,000	\$ 184	\$ Nil	\$ Nil	\$ 38,440	\$ 89,624
Mark T. Brown Chief Financial Officer <sup>(b)</sup>	\$ 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 <sup>(c)</sup>	\$ 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 <sup>(a)</sup>	\$ 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



## 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 <sup>(a)</sup>	Salaries and share-based payment	\$ 89,624	\$ 159,328	\$ -	\$ 13,695
Pierre Miron Former Chief Financial Officer <sup>(c)</sup>	Salaries and share-based payment	\$ 46,133	\$ -	\$ -	\$ 15,761
Hyder Ali Khoja Chief Scientific Officer	Salaries	\$ 35,803	\$ -	\$ -	\$ 6,149
Pacific Opportunity Capital Ltd. <sup>(b)</sup>	Management and accounting services	\$ 19,000	\$ -	\$ -	\$ -
Aboriginal Import Export <sup>(d)</sup>	Management fees	\$ 58,000	\$ 75,000	\$ 8,400	\$ 32,812
SEDIAMEK Inc. <sup>(e)</sup>	Management fees	\$ 91,244	\$ 75,000	\$ -	\$ 6,978
SKTM Financial Corporation Ltd. <sup>(f)</sup>	Accounting services	\$ -	\$ 42,000	\$ -	\$ -
Fast Creative Inc. <sup>(g)</sup>	Consulting fees	\$ -	\$ 30,000	\$ 1,008	\$ 13,400
Integra Construction Ltd. <sup>(h)</sup>	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.

## 6(i) Financial Instruments

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.

(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.

<b>As at November 30, 2015</b>	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
<b>As at May 31, 2015</b>	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

## **6(j) Management of Capital Risk**

The Company manages its cash and cash equivalents, common shares, warrants, broker's warrants and share purchase options as capital. 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 Company expects its current capital resources will be sufficient to carry out its exploration and operations in the near term.

## **7. Subsequent Events**

None other than disclosed already in other sections.

## **8. Policies and Controls**

### **8(a) Significant Accounting Policies and Estimates**

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates

which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and further periods if the revision affects both current and future periods.

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

#### Critical judgments

- Going Concern - Evaluation of the ability of the Company to realize its strategy for funding its future needs for working capital involves making judgments.
- Share-based payments and warrants - The estimation of share-based payments and warrants 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 of the volatility of its own shares based on volatility of comparable companies due to the recent significant changes in its business, and the expected life of options granted and the time of exercise of those options. The model used by the Company is the Black-Scholes valuation model.
- Fair value and useful life of intangible - The value of the intangible was determined based on the fair value of the considerations exchanged, which was based on the market price of the shares issued at the dates of issuance. Management judgementally used the maximum legal life of the patent as the useful life of the intangible for purposes of amortization.

#### **8(b) Future Accounting Pronouncements**

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 standards, amendments and interpretations that have been issued but are 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 standards, amendments and interpretations will have no material impact on its results and financial position.

#### **8(c) Changes in Internal Controls over Financial Reporting (“ICFR”)**



No changes occurred in the current period of the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

## **9. Information on the Board of Directors and Management**

### **Directors:**

*Nick Brusatore*  
*Brian Whitlock*  
*Alan Boyco*  
*David Mack*

### **Audit Committee members:**

*Alan Boyco*  
*Brian Whitlock*  
*David Mack*

### **Management:**

*Jarrett Malnarick – Interim Chief Executive Officer*  
*Mark T. Brown, CPA, CA – Chief Financial Officer*