



**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED**

**MAY 31, 2016 AND 2015**

# **AFFINOR GROWERS INC.**

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## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of Affinor Growers Inc.,

We have audited the accompanying consolidated financial statements of Affinor Growers Inc. ("the Company"), which comprise the consolidated statement of financial position as at May 31, 2016, and the consolidated statements of comprehensive loss, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Affinor Growers Inc. as at May 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company is dependent upon its ability to raise adequate financing and generate profitable operations in the future. These conditions indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.

### Other Matter

The financial statements of Affinor Growers Inc. for the year ended May 31, 2015, were audited by other auditors who expressed an unmodified opinion on those statements in their report to the shareholders dated September 30, 2015.



CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
September 15, 2016

AFFINOR GROWERS INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT MAY 31  
(Presented in Canadian Dollars)

	Note	2016	2015
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 3,206	\$ 2,662
Receivables		28,443	75,887
Investments - available for sale	5	12,000	148,750
Prepaid expenses		31,969	22,637
		<u>75,618</u>	<u>249,936</u>
<b>Non-current assets</b>			
Property, plant and equipment	6	255,939	1,291,517
Intangible assets	7	1,361,013	1,444,037
		<u>1,616,952</u>	<u>2,735,554</u>
<b>Total assets</b>		<b>\$ 1,692,570</b>	<b>\$ 2,985,490</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 361,455	\$ 775,085
Due to related parties	11	17,283	100,170
		<u>378,738</u>	<u>875,255</u>
<b>Equity</b>			
Share capital	9	17,773,789	16,451,212
Reserves	9	6,087,505	5,587,775
Deficit		(22,547,462)	(19,928,752)
		<u>1,313,832</u>	<u>2,110,235</u>
<b>Total equity and liabilities</b>		<b>\$ 1,692,570</b>	<b>\$ 2,985,490</b>

Events after the reporting period (Note 19)

These consolidated financial statements are authorized for issue by the Board of Directors on September 15, 2016. They are signed on the Company's behalf by:

/s/ Brian Whitlock  
Director

/s/ Alan Boyco  
Director

AFFINOR GROWERS INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
FOR THE YEARS ENDED MAY 31  
(Presented in Canadian Dollars)

	Note	2016	2015
<b>Revenue</b>			
Sales	\$	83,431	\$ 285,714
Cost of sales		(56,934)	-
		<u>26,497</u>	<u>285,714</u>
<b>Expenses</b>			
Registration and information to shareholders		66,049	80,155
Professional fees and consulting fees		498,604	1,906,856
Employee benefit expenses		187,270	218,476
Management fees		181,244	300,000
Share-based payment		457,830	1,467,270
Amortization		92,629	57,750
Other operating expenses		73,012	277,798
Impairment of exploration and evaluation assets		-	4
		<u>(1,556,638)</u>	<u>(4,308,309)</u>
<b>Operating loss</b>		(1,530,141)	(4,022,595)
<b>Other items</b>			
Loss on disposal of available for sale investments		(95,675)	(63,855)
Loss on disposal of investment in associates		-	(250,448)
Impairment of property, plant and equipment		(1,025,973)	-
Impairment of investment in associates		-	(697,700)
Impairment of option to purchase interests in a company		-	(169,600)
Impairment of loans		(6,206)	(159,400)
Other		1,582	7,336
Gain on settlement of debt		44,800	-
Write-off of miscellaneous receivable		(7,097)	-
		<u>(1,088,569)</u>	<u>(1,333,667)</u>
<b>Net loss for the year</b>	\$	(2,618,710)	\$ (5,356,262)
Unrealized loss on available for sale investments		(26,100)	(34,900)
<b>Comprehensive loss for the year</b>	\$	(2,644,810)	\$ (5,391,162)
<b>Basic and diluted loss per share</b>	10	\$ (0.03)	\$ (0.08)

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

	Note	Share capital		Reserves					Total equity
		Number of shares	Amount	Warrants	Broker's warrants	Equity-settled employee benefits	Accumulated other comprehensive income	Deficit	
<b>Balance as at May 31, 2014</b>		<b>60,953,898</b>	<b>\$ 11,948,091</b>	<b>\$ 951,093</b>	<b>\$ 58,092</b>	<b>\$ 3,530,213</b>	<b>\$ -</b>	<b>\$ (14,572,490)</b>	<b>\$ 1,914,999</b>
Share issues:									
Private placement	9	700,000	70,035	34,965	-	-	-	-	105,000
Acquisition of intangible assets	11	6,388,888	1,494,443	-	-	-	-	-	1,494,443
Acquisition of 49% in associate	8	949,612	531,800	-	-	-	-	-	531,800
Consultant and management services		1,903,555	503,666	-	-	-	-	-	503,666
Option to buy a company	4	265,000	169,600	-	-	-	-	-	169,600
Options exercised	9	1,470,000	406,527	-	-	(172,027)	-	-	234,500
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	(2,765,000)	(3,818)	-	-	-	-	-	(3,818)
Share issue cost		-	(34)	-	-	-	-	-	(34)
Unrealized loss on available for sale of investments		-	-	-	-	-	(34,900)	-	(34,900)
Share-based payment and warrants		-	-	589,016	-	878,254	-	-	1,467,270
Net loss		-	-	-	-	-	-	(5,356,262)	(5,356,262)
<b>Balance as at May 31, 2015</b>		<b>72,575,878</b>	<b>16,451,212</b>	<b>1,328,143</b>	<b>58,092</b>	<b>4,236,440</b>	<b>(34,900)</b>	<b>(19,928,752)</b>	<b>2,110,235</b>
Share issues:									
Private placements	9	23,433,333	1,255,000	-	-	-	-	-	1,255,000
Debt settlements	9	3,839,150	204,992	-	-	-	-	-	204,992
Share issue costs		-	(137,415)	-	68,000	-	-	-	(69,415)
Unrealized loss on available for sale of investments		-	-	-	-	-	(26,100)	-	(26,100)
Share-based payment		-	-	-	-	457,830	-	-	457,830
Net loss		-	-	-	-	-	-	(2,618,710)	(2,618,710)
<b>Balance as at May 31, 2016</b>		<b>99,848,361</b>	<b>\$ 17,773,789</b>	<b>\$ 1,328,143</b>	<b>\$ 126,092</b>	<b>\$ 4,694,270</b>	<b>\$ (61,000)</b>	<b>\$ (22,547,462)</b>	<b>\$ 1,313,832</b>

AFFINOR GROWERS INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MAY 31  
(Presented in Canadian Dollars)

	2016	2015
<b>Cash flows from operating activities</b>		
Net loss for the year	\$ (2,618,710)	\$ (5,356,262)
Items not involving cash:		
Amortization	92,629	57,750
Consulting and management services	-	503,666
Loss on disposal of available for sale investments	95,675	63,855
Impairment of property, plant and equipment	1,025,973	-
Impairment of option to purchase interests in a company	-	169,600
Impairment of exploration and evaluation assets	-	4
Impairment of loans	6,206	159,400
Impairment of investment in associates	-	697,700
Write-off of miscellaneous receivable	7,097	-
Loss on disposal of investment in associates	-	250,448
Sales	-	(285,714)
Share-based payment	457,830	1,467,270
Gain on settlement of debt	(44,800)	-
Changes in non-cash working capital items:		
Receivables	34,141	(45,585)
Prepaid expenses	(9,332)	147,976
Accounts payable and accrued liabilities	(218,832)	378,604
Due to related parties	(27,893)	-
Net cash (used in) operating activities	<u>(1,200,016)</u>	<u>(1,791,288)</u>
<b>Cash flows from investing activities</b>		
Acquisition of investment in associates	-	(416,348)
Loans receivable	-	(159,400)
Net proceeds from investments - available for sale	14,975	52,495
Purchase of property, plant and equipment	-	(1,050,878)
Net cash provided by (used in) investing activities	<u>14,975</u>	<u>(1,574,131)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of common shares	1,255,000	1,423,471
Share issue costs	(69,415)	(34)
Net cash provided by financing activities	<u>1,185,585</u>	<u>1,423,437</u>
<b>Change in cash for the year</b>	544	(1,941,982)
<b>Cash, beginning of the year</b>	2,662	1,944,644
<b>Cash, end of the year</b>	<u>\$ 3,206</u>	<u>\$ 2,662</u>

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. Revenue models for the Company's patented technologies include license fees, royalties on production, margin on equipment sales and owning strategic production facilities and becoming the farmer.

These consolidated 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 uncertainties 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, 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 May 31, 2016 has an accumulated deficit of \$22,547,462 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 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 consolidated 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 consolidated financial statements, including comparatives, have been prepared in accordance and in compliance with International Financial Reporting Standards ("IFRS") as 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 consolidated financial statements have been prepared on a historical cost basis except certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated 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 May 31, 2016 reporting period. The Company has not early adopted the following new and revised standards and amendments 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 and amendments will have no material impact on its results and financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of consolidation

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

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

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### b) Foreign currencies

The Company assesses functional currency on an entity by entity basis based on the related fact pattern; however, the presentation currency used in these consolidated financial statements is determined at management's discretion.

The currency of the parent company, and the presentation currency applicable to these consolidated financial statements, is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of the exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### c) Cash and cash equivalents

Cash equivalents include money market instruments which are readily convertible into cash or have maturities at the date of purchase of less than ninety days.

#### d) Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated amortization and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Depreciation is provided at rates calculated to write off the cost of property, plant and equipment, less their estimated residual value, over the estimated useful life of the asset. The estimated useful lives are:

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

Property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive loss.

Construction in progress refers to property and equipment currently under construction. Construction in progress assets are recognized at cost and are not depreciated as the assets are not yet available-for-use.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e) Intangible assets

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

Intangible assets are amortized annually on a straight-line basis. The patent is being amortized over 18 years.

f) Revenue recognition

Revenue from the Company's different agreements are assessed in order to determine whether they contain separately identifiable components. When separation is required, the consideration received or receivable is allocated amongst the separate components based on the relative fair values of each component. When the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered item. The applicable revenue recognition criteria are applied to each of the separate components. Otherwise, the applicable revenue recognition criteria are applied to the combined components as a whole. Payments received under agreements may include payments received as licensing fees, royalty payments, as well as upfront payments.

Revenue for each separately identifiable component are recorded as follows:

- (i) fixed payments received as revenue from intellectual property under licensing agreements are recognized into income when conditions and events under the license agreement have been met or occurred, the Company has no future involvement or obligations to perform related to the specified element of the arrangement and it is probable that the economic benefits associated with the transaction will flow to the Company;
- (ii) royalty payments, for which the Company has no future involvement or obligations to perform related to that specified element of the arrangement, are recognized into income upon the achievement of the specified sales level and when it is probable that the economic benefits associated with the transaction will flow to the Company; and
- (iii) non-refundable upfront payments received on the signing of agreements and regulatory milestone payments, which require the Company's ongoing involvement, are deferred and amortized in income on a straight-line basis over the expected period of performance of the related activities, provided that revenue subject to the achievement of milestones is recognized only when the specified events have occurred and it is probable that the economic benefits associated with the transaction will flow to the Company.

g) Share-based payment transactions

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted are measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each consolidated statement of financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### h) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

#### i) Loss per share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options and warrants would be anti-dilutive.

#### j) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these consolidated 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 consolidated 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 assets - The value of the intangible assets were 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 assets for purposes of amortization.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### k) Provisions

Provisions are recognized in the consolidated statement of financial position when the Company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### l) Financial instruments

##### Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of comprehensive loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables, excluding commodity taxes receivable, are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statements of comprehensive loss.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the consolidated statements of comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

##### Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of comprehensive loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### l) Financial instruments (Continued)

##### Financial liabilities (Continued)

*Other financial liabilities* - This category includes accounts payable and accrued liabilities and due to related parties, all of which are recognized at amortized cost.

At May 31, 2016 and 2015, the Company did not have any derivative financial assets or liabilities.

#### m) Impairment of property, plant and equipment and intangible assets (excluding goodwill)

Property, plant and equipment and finite life intangible assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation charge for the period.

#### n) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the consolidated statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted that are expected to apply when temporary differences are expected to settle.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### n) Income taxes *(Continued)*

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### 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 consideration of 2,765,000 shares of the Company. As part of the transaction, the Company agreed to issue 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, the Company 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 May 23, 2014 share purchase agreement. 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 the Company 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 the Company. 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 the Company 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.

**4. COMPANY ACQUISITION** *(Continued)*

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

**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:

	May 31, 2016	May 31, 2015
Margaux Red Capital - 250,000 common shares (250,000 common shares as at May 31, 2015)	\$ -	\$ 33,750
Genonovus Media Corp. - 240,000 common shares and 150,000 warrants (460,000 common shares and 150,000 warrants as at May 31, 2015)	12,000	115,000
	<b>\$ 12,000</b>	<b>\$ 148,750</b>

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, the Company sublicenses 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 the Company on all of its net sales. On March 31, 2015, GeoNovus informed the Company 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 the Company are non-refundable and remain the property of the Company.



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**6. PROPERTY, PLANT AND EQUIPMENT**

	<b>Greenhouse</b>	<b>Land</b>	<b>Building</b>	<b>Computer equipment</b>	<b>Office equipment</b>	<b>Total</b>
<b>Cost</b>						
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
Impairment during the year	(874,942)	-	(151,031)	-	-	(1,025,973)
As at May 31, 2016	\$ 74,022	\$ 163,200	\$ 25,769	\$ 4,034	\$ 5,863	\$ 272,888
<b>Accumulated amortization</b>						
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 year	-	-	7,072	1,072	1,461	9,605
As at May 31, 2016	\$ -	\$ -	\$ 12,991	\$ 1,533	\$ 2,425	\$ 16,949
<b>Net book value</b>						
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 May 31, 2016	\$ 74,022	\$ 163,200	\$ 12,778	\$ 2,501	\$ 3,438	\$ 255,939

As at May 31, 2016, property, plant and equipment included a net book value of \$250,000 (2015 - \$1,288,964) related to the construction in progress of the Greenhouse project in St-Chrysostome, Quebec.

In accordance with the Company's accounting policy, management is required to evaluate the carrying value of property, plant and equipment whenever there are signs that would indicate potential impairment. With respect to the Greenhouse project, management has identified the fair market value of the Greenhouse is approximately \$250,000 and has determined that an impairment is appropriate.

## 7. INTANGIBLE ASSETS

	Note	Patent
<b>Cost</b>		
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 year		-
As at May 31, 2016		\$ 1,494,443
<b>Accumulated amortization</b>		
As at June 1, 2014		\$ -
Amortization for the year		50,406
As at May 31, 2015		50,406
Amortization for the year		83,024
As at May 31, 2016		\$ 133,430
<b>Net book value</b>		
As at June 1, 2014		\$ -
As at May 31, 2015		\$ 1,444,037
As at May 31, 2016		\$ 1,361,013

## 8. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

On August 4, 2014, the Company 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 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 was signed on August 11, 2015 with an effective date of 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 the Company (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 was 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, the Company 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”), the Company paid US\$150,000 (\$165,900) cash for the 49% interest in Herbal, issued 949,612 of the Company 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, the Company 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 the Company and the three other members without further compensation to the Company. 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 May 31, 2016, 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 the year ended May 31, 2015

- a. On June 23, 2014, the Company concluded an agreement for the exclusive technology license with Vertical Designs Ltd. ("VDL") a company formerly controlled by a director of the Company. 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 8, 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\$80,000 in a repayable loan over a maximum of four years 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. In consideration for Sigorex's services, the Company agreed to pay 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 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, 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 cash consideration of \$102,000. The fair value of \$23,942 assigned to these warrants has been reclassified from warrants reserve to share capital.
- e. In 2014, 54,925 broker's warrants were exercised for 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 \$72,000. 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 BC shareholders agreed to cancel the original agreement. 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. 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. See note 4.

**9. CAPITAL AND RESERVES** (Continued)

(ii) Share issuances: (Continued)

During the 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 was paid to VDL by the issuance of 722,222 common shares of the Company at a 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 or 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 18, 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 became 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 Ltd. ("PRC"). 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 share 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 be cancelled as they did not proceed with the agreement. The share certificates were 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 comprised of 700,000 units. Each unit is comprised of one common share and one share purchase warrant of the Company. The common share purchase warrants have a term of 24 months and are exercisable at \$0.30 per share purchase warrant.
- p. On February 19, 2015, the Company announced that it had entered into a U\$30 million 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 have not been met as of the date of these consolidated financial statements. Subsequent to the year ended May 31, 2016, the Company terminated the facility agreement.

**9. CAPITAL AND RESERVES** *(Continued)*

(ii) Share issuances: *(Continued)*

During the year ended May 31, 2016

- q. On September 11, 2015, the Company closed a non-brokered private placement for gross proceeds of \$755,000. The securities issued comprised 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 per share purchase warrant. 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 the Company participated for \$215,000 in the financing.
- r. On September 11, 2015, the Company settled a total of \$126,785 of debt relating to Bruce Bedrick by issuing an aggregate of 2,535,700 common shares of the Company at a deemed price of \$0.05 per share. These 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 three years.
- t. On September 14, 2015, the Company granted 300,000 options to Palisade Capital Corp. at a price of \$0.10 for a period of three years.
- u. On September 15, 2015, the Company granted 100,000 options at a price of \$0.10 for a period of two 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 the Company 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 five 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 comprised 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 two years exercisable at \$0.15 per share purchase warrant. 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. The broker's warrants have a term of 24 months and are exercisable at \$0.15 per broker's warrant.
- y. On November 16, 2015, the Company granted 2,300,000 options at a price of \$0.10 for a period of three years to its directors, officers and consultants.
- z. On February 23, 2016, the Company granted 200,000 options at a price of \$0.10 for a period of three years to its consultant.

(iii) Escrow shares

As at May 31, 2016, there were 2,916,668 common shares of the Company held in escrow. 1,458,333 escrow shares will be released on November 30, 2016.

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**9. CAPITAL AND RESERVES** (Continued)

(iv) Warrants:

The continuity of warrants for the year ended May 31, 2016 is as follows:

Expiry date	Exercise price	May 31, 2015	Issued	Exercised	Expired	May 31, 2016
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
April 4, 2018	\$0.40	635,000	-	-	-	635,000
April 7, 2018	\$0.40	3,045,636	-	-	-	3,045,636
April 11, 2018	\$0.40	1,080,000	-	-	-	1,080,000
April 14, 2018	\$0.40	564,000	-	-	-	564,000
April 16, 2018	\$0.40	178,000	-	-	-	178,000
April 22, 2018	\$0.40	360,000	-	-	-	360,000
April 23, 2018	\$0.40	1,620,000	-	-	-	1,620,000
<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

\* On September 7, 2016, 15,100,000 warrants granted on September 11, 2015 with original expiry date of September 11, 2016 were extended to expire on September 11, 2018.

\*\* On September 11, 2015, 1,000,000 warrants were repriced at \$0.10 from \$0.32 each. See note 9(ii)(r).

As of May 31, 2016, the weighted average contractual life is 0.99 years (May 31, 2015 – 1.22 years).

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
<b>Outstanding</b>		<b>10,137,636</b>	<b>2,700,000</b>	<b>(2,655,000)</b>	<b>-</b>	<b>10,182,636</b>
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 year ended May 31, 2016 is as follows:

Expiry date	Exercise price	May 31, 2015	Issued	Exercised	Expired	May 31, 2016
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	-	(215,465)	833,333
Weighted average exercise price	\$	0.40	\$0.15	\$Nil	\$ 0.40	\$ 0.15

As of May 31, 2016, the weighted average contractual remaining life is 1.42 years (May 31, 2015 – 0.86 years).

The weighted average assumptions used to estimate the fair value of broker's warrants for the year ended May 31, 2016 and 2015 were:

	2016	2015
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 May 31, 2016.

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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 year ended May 31, 2016 is as follows:

Expiry date	Exercise price	May 31, 2015	Granted	Exercised	Expired/cancelled	May 31, 2016			
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			
May 10, 2018	\$ 0.15	200,000	-	-	-	200,000			
September 14, 2018	\$ 0.10	-	800,000	-	-	800,000			
November 16, 2018	\$ 0.10	-	2,300,000	-	-	2,300,000			
February 23, 2019	\$ 0.10	-	200,000	-	-	200,000			
April 1, 2019	\$ 0.33	100,000	-	-	(100,000)	-			
April 8, 2019	\$ 0.35	300,000	-	-	(300,000)	-			
April 14, 2019	\$ 0.49	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)	-			
October 1, 2020	\$ 0.10	-	400,000	-	-	400,000			
Options outstanding		6,500,000	5,800,000	-	(5,250,000)	7,050,000			
Options exercisable		6,500,000	5,800,000	-	(5,250,000)	7,050,000			
Weighted average exercise price	\$	0.34	\$	0.12	\$Nil	\$	0.27	\$	0.20

As of May 31, 2016, the weighted average contractual remaining life is 2.45 years (May 31, 2015 – 3.62 years).



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**9. CAPITAL AND RESERVES** *(Continued)*

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

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	\$ 0.49	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	\$	0.34

## 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 years ended May 31, 2016 and 2015 were:

	2016	2015
Risk-free interest rate	1.22%	1.141%
Expected life	3.91 years	3.61 years
Expected volatility	328.00%	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 year ended May 31, 2016 was based on the loss attributable to common shareholders of \$2,618,710 (2015 – \$5,356,262) and a weighted average number of common shares outstanding of 90,989,987 (2015 – 64,647,712).

Diluted loss per share did not include the effect of 7,050,000 share purchase options, 833,333 broker's warrants and 33,615,969 warrants for the year ended May 31, 2016 (2015 – 6,500,000 share purchase options, 215,465 broker's warrants and 10,182,636 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 year ended May 31, 2016

	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>	\$ 102,000	\$ 3,776	\$ Nil	\$ Nil	\$ 38,440	\$ 144,216
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	\$ 2,761	\$ Nil	\$ 15,000	\$ Nil	\$ 45,692

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**11. RELATED PARTY TRANSACTIONS** (Continued)

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

For the year ended May 31, 2015

	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>	\$ 88,561	\$ 6,570	\$ Nil	\$ Nil	\$ 118,984	\$ 214,115
Hyder Ali Khoja Chief Scientific Officer	\$ 5,729	\$ 420	\$ Nil	\$ Nil	\$ 49,981	\$ 56,130
Pierre Miron Former Chief Financial Officer <sup>(c)</sup>	\$ 52,694	\$ 5,511	\$ Nil	\$ Nil	\$ 37,500	\$ 95,705

Related party liabilities

	Services	Years ended		Balance due	
		May 31, 2016	May 31, 2015	As at May 31, 2016	As at May 31, 2015
Amounts due to:					
Jarrett Malnarick Chief Executive Officer <sup>(a)</sup>	Salaries and share-based payment	\$ 144,216	\$ 214,115	\$ -	\$ 13,695
Mark T. Brown Chief Financial Officer <sup>(b)</sup>	Share-based payment	\$ 15,970	\$ -	\$ -	\$ -
Hyder Ali Khoja Chief Scientific Officer	Salaries and share-based payment	\$ 35,803	\$ 56,130	\$ -	\$ 6,149
Pierre Miron Former Chief Financial Officer <sup>(c)</sup>	Salaries and share-based payment	\$ 45,692	\$ 95,705	\$ -	\$ 15,761
Pacific Opportunity Capital Ltd. <sup>(b)</sup>	Management and accounting services	\$ 64,000	\$ -	\$ 7,875	\$ -
Aboriginal Import Export <sup>(d)</sup>	Management fees	\$ 90,000	\$ 150,000	\$ 8,400	\$ 32,812
SEDIAMEK Inc. <sup>(e)</sup>	Management fees	\$ 91,244	\$ 150,000	\$ -	\$ 6,978
SKTM Financial Corporation Ltd. <sup>(f)</sup>	Accounting services	\$ -	\$ 45,765	\$ -	\$ -
Fast Creative Inc. <sup>(g)</sup>	Consulting fees	\$ -	\$ 50,000	\$ 1,008	\$ 13,400
Integra Construction Ltd. <sup>(h)</sup>	Consulting fees	\$ -	\$ 86,664	\$ -	\$ 11,375
TOTAL:				\$ 17,283	\$ 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 who subsequent to the year end resigned from the board of directors on June 4, 2016.
- (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, the Company 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 the Company who resigned on June 4, 2016. 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. The Company paid an initial, up-front non-refundable entry fee by the issuance of 666,666 shares of the Company at the date of the transaction valued at \$506,666, being the market price of the shares issued at date of issuance. In addition, the Company 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 year ended May 31, 2015. This license remains in force for the unexpired term of the patent which was estimated to 18 years.

On October 21, 2014, the Company and VDL agreed to terminate the original license agreement dated on June 23, 2014 and replaced it with a new license agreement. This new license agreement was also acquired 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. The Company paid an additional initial, up-front non-refundable entry fee by the issuance of 722,222 shares, over and above the 666,666 shares of the Company 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, the Company must pay to VDL the following royalties:

- a. an amount equal to 50% of any licensing fee or royalty received by the Company from the sublicense sold after January 1, 2017;
- b. an amount equal to 50% of the Company'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 the Company 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, the Company 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 the Company issued on June 23, and October 21, 2014. This technology was patented in 2013 and there are 18 years remaining. The Company also acquired the option to buy the vertical technology for consideration of \$1 million by the issuance of shares based on the then market price of the shares of the Company on the date that the technology is patented.

On December 22, 2015, the Company signed the second intellectual property acquisition agreement with VDL 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 technology acquisition agreement required a final issuance of 10 million common shares at \$0.10 per share to VDL, and were issued on June 15, 2016. Subsequent to year end, the patents were transferred to the Company.

**11. RELATED PARTY TRANSACTIONS** *(Continued)*

**(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:

	Years ended	
	May 31, 2016	May 31, 2015
Acquisition of intangible assets in exchange for common shares	\$ -	\$ 1,494,443
Acquisition of interest in private company in exchange for common shares	\$ -	\$ 531,800
Acquisition of investment in Geonovus in exchange for a sublicense sold	\$ -	\$ 285,714
Acquisition of property, plant and equipment financed by trade and other payables	\$ -	\$ 247,983
De-consolidation of subsidiary	\$ -	\$ 3,818
Issuance of common shares in exchange for consultant and management services	\$ -	\$ 503,666
Issuance of common shares in exchange for option to buy a company	\$ -	\$ 169,600
Issuance of common shares in exchange for 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 due to 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 other 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.

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

(ii) Liquidity risk *(Continued)*

As at May 31, 2016 and 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 May 31, 2016, the Company has a negative working capital of \$303,120. The ability of the Company to continue its activities relies upon the support 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 Comprehensive Loss, 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 May 31, 2016 and 2015.

<b>As at May 31, 2016</b>	Level 1	Level 2	Level 3	Total
Assets:				
Cash	\$ 3,206	\$ -	\$ -	\$ 3,206
Investments - available for sale	12,000	-	-	12,000
	\$ 15,206	\$ -	\$ -	\$ 15,206
<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

#### 14. INCOME TAX

The Company is subject to income taxes in Canada. The provision for income taxes varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before taxes as follows:

	2016	2015
	26.00%	26.90%
Loss for the year before income taxes	\$ (2,618,710)	\$ (5,356,262)
Income tax benefit computed at statutory rates	(680,865)	(1,450,223)
Deductible and non-deductible amounts	426,923	443,792
Expired loss	-	345
Adjustment of previously deferred taxes	-	8,000
Other	-	22,915
Tax assets not recognized	253,942	975,171
Income tax expense	\$ -	\$ -

The significant components of the Company's deferred tax assets are as follows :

	2016	2015
Exploration and evaluation assets	\$ 2,290,065	\$ 2,290,065
Non-capital and net capital losses carried forward	11,358,155	6,770,278
Share issue costs	105,416	50,268
Property and equipment and other intangibles	1,054,309	1,030,953
Unrealized loss on investments	555,890	555,890
	\$ 15,363,835	\$ 10,697,454

The Company has non-capital losses of approximately \$11,277,000 (2015 - \$10,300,000) which are available to reduce taxes in future periods, for which no deferred income tax asset has been recognized in the statement of financial position, that can be carried over the following years :

2026	\$ 189,000
2027	448,000
2028	345,000
2029	139,000
2030	37,000
2031	63,000
2032	87,000
2033	205,000
2034	5,019,000
2035	3,768,000
2036	977,000
	<u>\$ 11,277,000</u>

## 15. MANAGEMENT OF CAPITAL RISK

The Company manages its cash and cash equivalents and shareholders' equity as capital (in the comparative year the Company managed shareholders' equity 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. 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.

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.

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.

## 16. COMMITMENTS 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. See note 6.

## 17. 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.

## 18. CREDIT FACILITY AGREEMENTS

On February 24, 2016, the Company executed a variable rate term loan and an operating loan (the "credit facilities") with Vancouver City Savings Credit Union ("Vancity") as follows:

- Variable rate term loan (to assist with the setup of a vertical farm) – \$86,000, five year amortization, 12-month term, repayable in blended monthly payments of \$1,583 commencing one month from the date of initial disbursement, secured by a business promissory note.
- Operating loan (to assist with the operation of the vertical farm) - \$25,000, 12-month term, repayable on demand, secured by a business and operating loan application and agreement.

The credit facilities bear interest at Vancity prime plus 1% per annum; can be repaid in full, or in part, at any time without notice, penalty or bonus; are personally guaranteed by a former director of the Company; are additionally secured by an unlimited guarantee and postponement of claim and security over deposits (in the amount of \$115,000) made by the former director with respect to the debts and liabilities of the Company; and are subject to a debt service coverage (as defined) of a minimum of 1.25 times at all times.

As of May 31, 2016, Vancity had not advanced any funds in respect of the credit facilities.



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

On June 8, 2016, the Company granted 200,000 options at the price of \$0.10 for a period of 3 years to its new director.

On August 17, 2016, the Company completed a non-brokered private placement by issuing 2,000,000 units ("Unit") at a price of \$0.05 per Unit for gross proceeds of \$100,000. 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 4 years exercisable at \$0.10 per share purchase warrant. All securities have a 4-month hold period expiring on December 17, 2016.

On August 30, 2016, the Company settled \$137,910 debt with its consultants by issuing 2,758,200 common shares at a price of \$0.05 per share.