AFFINOR GROWERS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

NOVEMBER 30, 2016

(UNAUDITED)

AFFINOR GROWERS INC.

Contents

NOTICE OF NO AUDITOR REVIEW OF

INTERIM FINANCIAL STATEMENTS

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

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

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

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

	Note	November 30, 2016	May 31, 2016
		(Unaudited)	(Audited)
Assets			
Current assets			
Cash		$ 517,196	$ 3,206
Receivables		31,215	28,443
Investments - available for sale	4	-	12,000
Prepaid expenses		32,297	31,969
		580,708	75,618
Non-current assets			
Property, plant and equipment	5	254,533	255,939
Intangible assets	6	2,294,037	1,361,013
		2,548,570	1,616,952
Total assets		$ 3,129,278	$ 1,692,570
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 259,040	$ 361,455
Due to related parties	9	7,875	17,283
		266,915	378,738
Equity			
Share capital	7	20,121,882	17,773,789
Reserves	7	6,740,027	6,087,505
Deficit		(23,999,546)	(22,547,462)
		2,862,363	1,313,832
Total equity and liabilities		$ 3,129,278	$ 1,692,570

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on January 16, 2017. They are signed on the Company's behalf by:

/s/ Brian Whitlock
Director

/s/ Alan Boyco
Director

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

		Three months ended November 30,		Six months ended November 30,	
	Note	2016	2015	2016	2015
Revenue					
Sales		$ 15,000	$ 25,000	$ 15,000	$ 25,522
Cost of sales		(59,275)	(41,380)	(62,290)	(41,380)
		(44,275)	(16,380)	(47,290)	(15,858)
Expenses					
Registration and information to shareholders		17,662	19,338	26,435	26,761
Professional fees and consulting fees		86,698	286,543	248,063	355,110
Employee benefit expenses		25,561	55,519	46,941	133,120
Management fees		-	74,244	-	149,244
Share-based payment		973,405	138,762	982,205	303,736
Amortization		35,348	23,295	68,382	46,310
Other operating expenses		(1,949)	12,819	2,174	45,024
		(1,136,725)	(610,520)	(1,374,200)	(1,059,305)
Operating loss		(1,181,000)	(626,900)	(1,421,490)	(1,075,163)
Other items					
Loss on disposal of available for sale investments		1,050	-	(31,551)	(4,500)
Loss on disposal of investment in associates		-	-	-	(6,206)
Other		765	37,031	957	37,153
		1,815	37,031	(30,594)	26,447
Net loss for the period		(1,179,185)	(589,869)	$ (1,452,084)	$ (1,048,716)
Unrealized loss on available for sale investments		-	(20,650)	61,000	(117,700)
Comprehensive loss for the period		$ (1,179,185)	$ (610,519)	$ (1,391,084)	$ (1,166,416)
Basic and diluted loss per share	8	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

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

		Share capital		Reserves					
	Note	Number of shares	Amount	Warrants	Broker's warrants	Equity-settled employee benefits	Accumulated other comprehensive income	Deficit	Total equity
Balance as at May 31, 2015 (Audited)		**72,575,878**	**$ 16,451,212**	**$ 1,328,143**	**$ 58,092**	**$ 4,236,440**	**$ (34,900)**	**$ (19,928,752)**	**$ 2,110,235**
Share issues:									
Private placements	7	23,433,333	763,519	491,481	-	-	-	-	1,255,000
Debt settlements	7	3,839,150	204,992	-	-	-	-	-	204,992
Share issue costs		-	(137,415)	-	68,000	-	-	-	(69,415)
Unrealized loss on available for sale of investments		-	-	-	-	-	(117,700)	-	(117,700)
Share-based payment and warrants		-	-	(161,238)	-	464,974	-	-	303,736
Net loss		-	-	-	-	-	-	(1,048,716)	(1,048,716)
Balance as at November 30, 2015 (Unaudited)		99,848,361	17,282,308	1,658,386	126,092	4,701,414	(152,600)	(20,977,468)	2,638,132
Share issues:									
Private placement		-	491,481	(491,481)	-	-	-	-	-
Unrealized loss on available for sale of investments		-	-	-	-	-	91,600	-	91,600
Share-based payment and warrants		-	-	161,238	-	(7,144)	-	-	154,094
Net loss		-	-	-	-	-	-	(1,569,994)	(1,569,994)
Balance as at May 31, 2016 (Audited)		99,848,361	17,773,789	1,328,143	126,092	4,694,270	(61,000)	(22,547,462)	1,313,832
Share issues:									
Acquisition of intangible assets	7	10,000,000	1,000,000	-	-	-	-	-	1,000,000
Private placement	7	2,000,000	80,000	20,000	-	-	-	-	100,000
Debt settlements	7	2,758,200	137,910	-	-	-	-	-	137,910
Share issue costs		-	(500)	-	-	-	-	-	(500)
Options exercised	7	5,400,000	957,523	-	-	(402,523)	-	-	555,000
Warrants exercised	7	1,000,000	150,000	-	-	-	-	-	150,000
Broker's warrants exercised	7	100,000	23,160	-	(8,160)	-	-	-	15,000
Unrealized loss on available for sale of investments		-	-	-	-	-	61,000	-	61,000
Share-based payment		-	-	-	-	982,205	-	-	982,205
Net loss		-	-	-	-	-	-	(1,452,084)	(1,452,084)
Balance as at November 30, 2016 (Unaudited)		**121,106,561**	**$ 20,121,882**	**$ 1,348,143**	**$ 117,932**	**$ 5,273,952**	**$ -**	**$ (23,999,546)**	**$ 2,862,363**

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

	Six months ended November 30, 2016	Six months ended November 30, 2015
Cash flows from operating activities		
Net loss for the period	$ (1,452,084)	$ (1,048,716)
Items not involving cash:		
Amortization	68,382	46,310
Loss on disposal of available for sale investments	31,551	4,500
Impairment of loans	-	6,206
Share-based payment	982,205	303,736
Changes in non-cash working capital items:		
Receivables	(2,772)	4,644
Prepaid expenses	(328)	(30,603)
Accounts payable and accrued liabilities	35,495	(354,195)
Due to related parties	(9,408)	9,408
Net cash (used in) operating activities	(346,959)	(1,058,710)
Cash flows from investing activities		
Loans receivable	-	(6,206)
Net proceeds from investments - available for sale	41,449	5,500
Net cash provided by (used in) investing activities	41,449	(706)
Cash flows from financing activities		
Proceeds from issuance of common shares	820,000	1,255,000
Share issue costs	(500)	(69,415)
Net cash provided by financing activities	819,500	1,185,585
Change in cash for the period	513,990	126,169
Cash, beginning of the period	3,206	2,662
Cash, end of the period	$ 517,196	$ 128,831

Supplemental disclosure with respect to cash flows (Note 10).

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

The Company is subject to a number of risks and 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 November 30, 2016 has an accumulated deficit of $23,999,546 and a working capital of $313,793. 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 condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement on financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. BASIS OF PREPARATION

a) Statement of compliance

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

2. BASIS OF PREPARATION *(Continued)*

b) Basis of preparation

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

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

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

c) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the November 30, 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

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB on a basis consistent with those followed in the Company's most recent annual financial statement for the year ended May 31, 2016.

These unaudited condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended May 31, 2016. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the six-month period ended November 30, 2016 are not necessarily indicative of the results that may be expected for the year ending May 31, 2017.

(Presented in Canadian Dollars)

4. INVESTMENTS AVAILABLE FOR SALE

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

	November 30, 2016	May 31, 2016
	(Unaudited)	(Audited)
Margaux Red Capital - Nil common shares (250,000 common shares as at May 31, 2016)	$ -	$ -
Imagination Park Entertainment Inc. - Nil common shares and 150,000 warrants (240,000 common shares and 150,000 warrants as at May 31, 2016)	-	12,000
	$ -	$ 12,000

5. PROPERTY, PLANT AND EQUIPMENT

	Greenhouse	Land	Building	Computer equipment	Office equipment	Total
Cost						
As at June 1, 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
Additions during the period	-	-	-	-	-	-
As at November 30, 2016	$ 74,022	$ 163,200	$ 25,769	$ 4,034	$ 5,863	$ 272,888
Accumulated amortization						
As at June 1, 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
Amortization for the period	-	-	515	375	516	1,406
As at November 30, 2016	$ -	$ -	$ 13,506	$ 1,908	$ 2,941	$ 18,355
Net book value						
As at June 1, 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 November 30, 2016	$ 74,022	$ 163,200	$ 12,263	$ 2,126	$ 2,922	$ 254,533

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 in St-Chrysostome, Quebec, management identified the fair market value of the greenhouse, together with the land and building, is approximately $250,000 as at May 31, 2016 and determined that an impairment is appropriate.

Subsequent to November 30, 2016, the greenhouse, together with the land and building, was sold together at the price of $275,000.

(Presented in Canadian Dollars)

6. INTANGIBLE ASSETS

	Note	**Patent**
Cost		
As at June 1, 2015		$ 1,494,443
Additions during the year		-
As at May 31, 2016		1,494,443
Additions during the period	9(ii)	1,000,000
As at November 30, 2016		$ 2,494,443
Accumulated amortization		
As at June 1, 2015		$ 50,406
Amortization for the year		83,024
As at May 31, 2016		133,430
Amortization for the period		66,976
As at November 30, 2016		$ 200,406
Net book value		
As at June 1, 2015		$ 1,444,037
As at May 31, 2016		$ 1,361,013
As at November 30, 2016		$ 2,294,037

7. CAPITAL AND RESERVES

(i) Authorized:

At November 30, 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:

<u>During the year ended May 31, 2016</u>

a. 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.

b. 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.

c. 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.

d. 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.

(Presented in Canadian Dollars)

7. CAPITAL AND RESERVES *(Continued)*

(ii) Share issuances: *(Continued)*

During the six months ended November 30, 2016

e. On June 15, 2016, the Company completed the second and final intellectual property acquisition agreement with Vertical Designs Ltd. ("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. Under the terms of the technology acquisition agreement, the Company issued 10 million common shares at a price of $0.10 per share to VDL. See note 9(ii).

f. 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. 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.

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

h. During the six months ended November 30, 2016, the Company issued common shares pursuant to the exercise of 5,400,000 stock options for cash proceeds of $555,000, the exercise of 1,000,000 warrants for cash proceeds of $150,000 and the exercise of broker's warrants of 100,000 for cash proceeds of $15,000.

(iii) Escrow shares

As at November 30, 2016, there were 1,458,334 common shares of the Company held in escrow and will be released on May 30, 2017.

(iv) Warrants:

The continuity of warrants for the six months ended November 30, 2016 is as follows:

Expiry date	Exercise price	May 31, 2016	Issued	Exercised	Expired	November 30, 2016
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	-	(500,000)	-	7,833,333
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
September 11, 2018	$0.15	15,100,000	-	(500,000)	-	14,600,000
August 17, 2020	$0.10	-	2,000,000	-	-	2,000,000
Outstanding		33,615,969	2,000,000	(1,000,000)	-	34,615,969
Weighted average exercise price		$0.21	$0.10	$0.15	$Nil	$0.21

As of November 30, 2016, the weighted average contractual life is 1.52 years (May 31, 2016 – 0.99 years).

(Presented in Canadian Dollars)

7. CAPITAL AND RESERVES *(Continued)*

(iv) Warrants *(Continued)*

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
Outstanding			10,182,636	23,433,333	-	-	33,615,969
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.

(v) Broker's Warrants:

The continuity of broker's warrants for the six months ended November 30, 2016 is as follows:

Expiry date	Exercise price	May 31, 2016	Issued	Exercised	Expired	November 30, 2016
October 30, 2017	$0.15	833,333	-	(100,000)	-	733,333
Outstanding		833,333	-	(100,000)	-	733,333
Weighted average exercise price		$0.15	$Nil	$0.15	$Nil	$0.15

As of November 30, 2016, the weighted average contractual remaining life is 0.92 years (May 31, 2016 – 1.42 years).

The weighted average assumptions used to estimate the fair value of broker's warrants for the six months ended November 30, 2016 and 2015 were:

	Six months ended November 30, 2016	Six months ended November 30, 2015
Risk-free interest rate	Nil	Nil
Expected life	Nil	Nil
Expected volatility	Nil	Nil
Expected dividend yield	Nil	Nil

(Presented in Canadian Dollars)

7. CAPITAL AND RESERVES *(Continued)*

(v) Broker's Warrants *(Continued)*

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

(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 12,110,656 shares on November 30, 2016.

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.

(Presented in Canadian Dollars)

7. 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 six months ended November 30, 2016 is as follows:

Expiry date	Exercise price	May 31, 2016	Granted	Exercised	Expired/ cancelled	November 30, 2016
September 15, 2017	$ 0.10	100,000	-	(100,000)	-	-
September 30, 2017	$ 0.10	1,300,000	-	(1,000,000)	-	300,000
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	-	(1,600,000)	-	700,000
February 23, 2019	$ 0.10	200,000	-	-	-	200,000
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 8, 2019	$ 0.10	-	200,000	-	-	200,000
June 27, 2019	$ 0.67	200,000	-	-	-	200,000
August 11, 2019	$ 0.47	300,000	-	-	-	300,000
October 5, 2019	$ 0.11	-	1,000,000	(1,000,000)	-	-
October 13, 2019	$ 0.11	-	1,200,000	(500,000)	-	700,000
October 18, 2019	$ 0.165	-	1,900,000	-	-	1,900,000
October 25, 2019	$ 0.17	-	700,000	-	-	700,000
October 28, 2019	$ 0.25	200,000	-	-	-	200,000
November 3, 2019	$ 0.135	-	100,000	-	-	100,000
November 17, 2019	$ 0.16	-	500,000	-	-	500,000
November 22, 2019	$ 0.15	-	1,550,000	-	-	1,550,000
October 1, 2020	$ 0.10	400,000	-	(400,000)	-	-
Options outstanding		7,050,000	7,150,000	(5,400,000)	-	8,800,000
Options exercisable		7,050,000	7,150,000	(5,400,000)	-	8,800,000
Weighted average exercise price		$0.20	$0.14	$0.10	$Nil	$0.22

As of November 30, 2016, the weighted average contractual remaining life is 2.63 years (May 31, 2016 – 2.45 years).

The weighted average assumptions used to estimate the fair value of options for the six months ended November 30, 2016 and 2015 were:

	Six months ended November 30, 2016	Six months ended November 30, 2015
Risk-free interest rate	0.80%	1.23%
Expected life	3 years	3.95 years
Expected volatility	269.58%	328.21%
Expected dividend yield	Nil	Nil

(Presented in Canadian Dollars)

7. CAPITAL AND RESERVES *(Continued)*

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

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.

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

(Presented in Canadian Dollars)

8. LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the six months ended November 30, 2016 was based on the loss attributable to common shareholders of $1,452,084 (November 30, 2015 – $1,048,761) and a weighted average number of common shares outstanding of 113,045,380 (November 30, 2015 – 82,131,615).

Diluted loss per share did not include the effect of 8,800,000 share purchase options, 733,333 broker's warrants and 34,615,969 warrants for the six months ended November 30, 2016 (November 30, 2015 – 9,150,000 share purchase options, 1,048,798 broker's warrants and 33,615,969 warrants) as they are anti-dilutive.

9.RELATED PARTY TRANSACTIONS

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

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

(i) Transactions with key management personnel

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

For the six months ended November 30, 2016

	Short-term employee benefits	Social security cost	Other long-term benefits	Termination benefits	Share-based payments	Total
Jarrett Malnarick Chief Executive Officer [a]	$ 51,000	$ 731	$ Nil	$ Nil	$ 82,330	$ 134,061
Mark T. Brown Chief Financial Officer [b]	$ Nil	$ Nil	$ Nil	$ Nil	$ 49,960	$ 49,960

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 Operating Officer [a]	$ 51,000	$ 184	$ Nil	$ Nil	$ 38,440	$ 89,624
Mark T. Brown Chief Financial Officer [b]	$ Nil	$ Nil	$ Nil	$ Nil	$ 15,970	$ 15,970
Hyder Ali Khoja Chief Scientific Officer	$ 33,333	$ 2,470	$ Nil	$ Nil	$ Nil	$ 35,803
Pierre Miron Former Chief Financial Officer [c]	$ 27,931	$ 3,202	$ Nil	$ 15,000	$ Nil	$ 46,133

(Presented in Canadian Dollars)

9.RELATED PARTY TRANSACTIONS *(Continued)*

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

Related party liabilities

		Six months ended		Balance due	
	Services	November 30, 2016	November 30, 2015	As at November 30, 2016	As at May 31, 2016
Amounts due to:					
Jarrett Malnarick Chief Executive Officer [(a)]	Salaries and share-based payment	$ 134,061	$ 89,624	$ -	$ -
Hyder Ali Khoja Chief Scientific Officer	Salaries	$ -	$ 35,803	$ -	$ -
Pierre Miron Former Chief Financial Officer [(c)]	Salaries and share-based payment	$ -	$ 46,133	$ -	$ -
Pacific Opportunity Capital Ltd. [(b)]	Management and accounting services	$ 52,500	$ 19,000	$ 7,875	$ 7,875
Aboriginal Import Export [(d)]	Management fees	$ -	$ 58,000	$ -	$ 8,400
SEDIAMEK Inc. [(e)]	Management fees	$ -	$ 91,244	$ -	$ -
Fast Creative Inc. [(f)]	Consulting fees	$ -	$ -	$ -	$ 1,008
TOTAL:				$ 7,875	$ 17,283

(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 resigned from the board of directors on June 4, 2016.
(e) SEDIAMEK Inc., a company controlled by a former officer of the Company.
(f) Fast Creative Inc., a company controlled by a former director of the Company.

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

On December 22, 2015, the Company signed the second and final intellectual property acquisition agreement with VDL, a company formerly controlled by a director of the Company who resigned on June 4, 2016, to acquire both the remaining patents regarding the proprietary vertical farming systems, and the license agreements with certain partners covering various provinces of Canada. All the patents had been transferred to the Company for a final issuance of 10 million common shares at $0.10 per share on June 15, 2016, valuing this second and final purchase price at $1 million. Combining with all the previous share issuances to VDL in 2014 and 2015, the purchase price for all the patents and technology totals to $2,494,443.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

	Six months ended			
	November 30, 2016		November 30, 2015	
Acquisition of intangible assets in exchange for common shares	$	1,000,000	$	-
Issuance of common shares in exchange for debt settlement	$	137,910	$	204,992

11. 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.

As at November 30, 2016 and May 31, 2016, 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, 2016, the Company has a working capital of $313,793. 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.

(Presented in Canadian Dollars)

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

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 August 31, 2016 and May 31, 2016.

As at November 30, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Cash	$ 517,196	$ -	$ -	$ 517,196
Investments - available for sale	-	-	-	-
	$ 517,196	$ -	$ -	$ 517,196

As at May 31, 2016	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

12. 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 7). 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.

13.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.

14.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 additionaly 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 November 30, 2016, Vancity had not advanced any funds in respect of the credit facilities.