



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED**

**AUGUST 31, 2017**

**(UNAUDITED)**

# **AFFINOR GROWERS INC.**

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## **NOTICE OF NO AUDITOR REVIEW OF**

### **INTERIM FINANCIAL STATEMENTS**

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

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

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

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

	Note	August 31, 2017 (Unaudited)	May 31, 2017 (Audited)
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 415,025	\$ 521,618
Receivables		3,697	4,872
Prepaid expenses		16,854	21,499
		<u>435,576</u>	<u>547,989</u>
<b>Non-current assets</b>			
Property, plant and equipment	4	3,846	4,158
Intangible assets	5	2,190,102	2,224,747
		<u>2,193,948</u>	<u>2,228,905</u>
<b>Total assets</b>		<b>\$ 2,629,524</b>	<b>\$ 2,776,894</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	13	\$ 34,222	\$ 34,975
		<u>34,222</u>	<u>34,975</u>
<b>Equity</b>			
Share capital	6	20,211,332	20,211,332
Reserves	6	6,795,167	6,795,167
Deficit		(24,411,197)	(24,264,580)
		<u>2,595,302</u>	<u>2,741,919</u>
<b>Total equity and liabilities</b>		<b>\$ 2,629,524</b>	<b>\$ 2,776,894</b>

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on October 10, 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)

	Note	Three months ended	
		August 31, 2017	August 31, 2016
<b>Revenue</b>			
Sales		\$ -	\$ -
<b>Production and development costs</b>			
Vertical Growing Tower			
Cost		-	3,015
Testing		1,100	-
Amortization - patents		34,645	32,331
Research		2,857	-
Others		529	-
		(39,131)	(35,346)
<b>Gross loss</b>		(39,131)	(35,346)
<b>Expenses</b>			
Registration and information to shareholders		11,946	8,773
Professional fees and consulting fees		64,038	161,365
Employee benefit expenses		28,538	21,380
Share-based payment		-	8,800
Amortization		312	703
Other operating expenses		3,908	4,123
		(108,742)	(205,144)
<b>Operating loss</b>		(147,873)	(240,490)
<b>Other items</b>			
Loss on disposal of available for sale investments		-	(32,601)
Other		1,256	192
		1,256	(32,409)
<b>Net loss for the period</b>		\$ (146,617)	\$ (272,899)
Transfer to statement of comprehensive loss on disposal		-	61,000
<b>Comprehensive loss for the period</b>		\$ (146,617)	\$ (211,899)
<b>Basic and diluted loss per share</b>	7	\$ (0.00)	\$ (0.00)

AFFINOR GROWERS INC.  
CONDENSED CONSOLIDATED INTERIM 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, 2016 (Audited)</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>
Share issues:									
Acquisition of intangible assets	6	10,000,000	1,000,000	-	-	-	-	-	1,000,000
Private placement	6	2,000,000	80,000	20,000	-	-	-	-	100,000
Debt settlements	6	2,758,200	137,910	-	-	-	-	-	137,910
Share issue costs		-	(500)	-	-	-	-	-	(500)
Transfer to statement of comprehensive loss on disposal		-	-	-	-	-	61,000	-	61,000
Share-based payment and warrants		-	-	-	-	8,800	-	-	8,800
Net loss		-	-	-	-	-	-	(272,899)	(272,899)
<b>Balance as at August 31, 2016 (Unaudited)</b>		<b>114,606,561</b>	<b>18,991,199</b>	<b>1,348,143</b>	<b>126,092</b>	<b>4,703,070</b>	<b>-</b>	<b>(22,820,361)</b>	<b>2,348,143</b>
Share issues:									
Options exercised	6	5,900,000	1,046,973	-	-	(441,973)	-	-	605,000
Warrants exercised	6	1,000,000	150,000	-	-	-	-	-	150,000
Broker's warrants exercised	6	100,000	23,160	-	(8,160)	-	-	-	15,000
Share-based payment and warrants		-	-	-	-	1,067,995	-	-	1,067,995
Net loss		-	-	-	-	-	-	(1,444,219)	(1,444,219)
<b>Balance as at May 31, 2017 (Audited)</b>		<b>121,606,561</b>	<b>20,211,332</b>	<b>1,348,143</b>	<b>117,932</b>	<b>5,329,092</b>	<b>-</b>	<b>(24,264,580)</b>	<b>2,741,919</b>
Net loss		-	-	-	-	-	-	(146,617)	(146,617)
<b>Balance as at August 31, 2017 (Unaudited)</b>		<b>121,606,561</b>	<b>\$ 20,211,332</b>	<b>\$ 1,348,143</b>	<b>\$ 117,932</b>	<b>\$ 5,329,092</b>	<b>\$ -</b>	<b>\$ (24,411,197)</b>	<b>\$ 2,595,302</b>

See notes to the condensed consolidated interim financial statements

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

	Three months ended	
	August 31, 2017	August 31, 2016
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (146,617)	\$ (272,899)
Items not involving cash:		
Amortization	312	703
Amortization - patents	34,645	32,331
Loss on disposal of available for sale investments	-	32,601
Share-based payment	-	8,800
Changes in non-cash working capital items:		
Receivables	1,175	20,465
Prepaid expenses	4,645	1,329
Accounts payable and accrued liabilities	(753)	96,004
Due to related parties	-	(9,408)
Net cash (used in) operating activities	<u>(106,593)</u>	<u>(90,074)</u>
<b>Cash flows from investing activities</b>		
Net proceeds from investments - available for sale	-	15,399
Net cash provided by investing activities	<u>-</u>	<u>15,399</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of common shares	-	100,000
Share issue costs	-	(400)
Net cash provided by financing activities	<u>-</u>	<u>99,600</u>
<b>Change in cash for the period</b>	(106,593)	24,925
<b>Cash, beginning of the period</b>	521,618	3,206
<b>Cash, end of the period</b>	<u>\$ 415,025</u>	<u>\$ 28,131</u>

Supplemental disclosure with respect to cash flows (Note 9).

## 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. To date, the Company has entered into a purchase agreement, license agreements and test license agreements. Pursuant to a license agreement, the Company is entitled to receive a 10% ownership interest in a subsidings

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 August 31, 2017 has an accumulated deficit of \$24,411,197 and a working capital of \$401,354. 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 condensed consolidated interim 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 August 31, 2017 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, 2017.

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, 2017. 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 three-month period ended August 31, 2017 are not necessarily indicative of the results that may be expected for the year ending May 31, 2018.

AFFINOR GROWERS INC.  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2017 AND 2016  
(Presented in Canadian Dollars)

**4. 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, 2016	\$ 74,022	\$ 163,200	\$ 25,769	\$ 4,034	\$ 5,863	\$ 272,888
Disposals during the year	(74,022)	(163,200)	(25,769)	-	-	(262,991)
As at May 31, 2017	-	-	-	4,034	5,863	9,897
Additions during the period	-	-	-	-	-	-
As at August 31, 2017	\$ -	\$ -	\$ -	\$ 4,034	\$ 5,863	\$ 9,897
<b>Accumulated amortization</b>						
As at June 1, 2016	\$ -	\$ -	\$ 12,991	\$ 1,533	\$ 2,425	\$ 16,949
Amortization for the year	-	-	515	750	1,031	2,296
Amortization for the year related to disposals	-	-	(13,506)	-	-	(13,506)
As at May 31, 2017	-	-	-	2,283	3,456	5,739
Amortization for the period	-	-	-	131	181	312
As at August 31, 2017	\$ -	\$ -	\$ -	\$ 2,414	\$ 3,637	\$ 6,051
<b>Net book value</b>						
As at June 1, 2016	\$ 74,022	\$ 163,200	\$ 12,778	\$ 2,501	\$ 3,438	\$ 255,939
As at May 31, 2017	\$ -	\$ -	\$ -	\$ 1,751	\$ 2,407	\$ 4,158
As at August 31, 2017	\$ -	\$ -	\$ -	\$ 1,620	\$ 2,226	\$ 3,846

In December 2016, the greenhouse, together with the land and building, was sold at the price of \$275,000.

**5. INTANGIBLE ASSETS**

	<b>Patents</b>
<b>Cost</b>	
As at June 1, 2016	\$ 1,494,443
Additions during the year	1,000,000
As at May 31, 2017	2,494,443
Additions during the period	-
As at August 31, 2017	\$ 2,494,443
<b>Accumulated amortization</b>	
As at June 1, 2016	\$ 133,430
Amortization for the year	136,266
As at May 31, 2017	269,696
Amortization for the period	34,645
As at August 31, 2017	\$ 304,341
<b>Net book value</b>	
As at June 1, 2016	\$ 1,361,013
As at May 31, 2017	\$ 2,224,747
As at August 31, 2017	\$ 2,190,102

## 5. INTANGIBLE ASSETS *(Continued)*

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 17 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 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. Combined 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 (see Note 6(ii)(a)).

## 6. CAPITAL AND RESERVES

### (i) Authorized:

At August 31, 2017, 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, 2017

- a. 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 5).
- b. 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.
- c. 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.
- d. During the year ended May 31, 2017, the Company issued common shares pursuant to the exercise of 5,900,000 stock options for cash proceeds of \$605,000, the exercise of 1,000,000 warrants for cash proceeds of \$150,000 and the exercise of 100,000 broker's warrants for cash proceeds of \$15,000.

AFFINOR GROWERS INC.  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2017 AND 2016  
(Presented in Canadian Dollars)

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

(iii) Warrants:

The continuity of warrants for the three months ended August 31, 2017 is as follows:

Expiry date	Exercise price	May 31, 2017	Issued	Exercised	Expired	August 31, 2017
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	7,833,333	-	-	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	14,600,000	-	-	14,600,000
August 17, 2020		\$0.10	2,000,000	-	-	2,000,000
Outstanding			33,915,969	-	-	33,915,969
Weighted average exercise price		\$0.21	\$Nil	\$Nil	\$Nil	\$0.21

\* Subsequently expired unexercised.

As of August 31, 2017, the weighted average contractual life is 0.80 years (May 31, 2017 – 1.05 years).

The continuity of warrants for the year ended May 31, 2017 is as follows:

Expiry date	Exercise price	May 31, 2016	Issued	Exercised	Expired	May 31, 2017
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)	(700,000)	33,915,969
Weighted average exercise price		\$0.21	\$0.10	\$0.15	\$0.30	\$0.21

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

(iv) Broker's Warrants:

The continuity of broker's warrants for the three months ended August 31, 2017 is as follows:

Expiry date	Exercise price	May 31, 2017	Issued	Exercised	Expired	August 31, 2017
October 30, 2017	\$0.15	733,333	-	-	-	733,333
Outstanding		733,333	-	-	-	733,333
Weighted average exercise price		\$0.15	\$Nil	\$Nil	\$Nil	\$0.15

As of August 31, 2017, the weighted average contractual remaining life is 0.16 years (May 31, 2017 – 0.42 years).

The weighted average assumptions used to estimate the fair value of broker's warrants for the three months ended August 31, 2017 and 2016 were:

	Three months ended August 31, 2017	Three months ended August 31, 2016
Risk-free interest rate	Nil	Nil
Expected life	Nil	Nil
Expected volatility	Nil	Nil
Expected dividend yield	Nil	Nil

The continuity of broker's warrants for the year ended May 31, 2017 is as follows:

Expiry date	Exercise price	May 31, 2016	Issued	Exercised	Expired	May 31, 2017
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

(v) 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 12,160,656 shares on August 31, 2017.

Options granted are exercisable at the day of grant except for persons performing investor relations activities. Options granted to suppliers of investor 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.

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.

AFFINOR GROWERS INC.  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2017 AND 2016  
(Presented in Canadian Dollars)

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

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

A summary of changes in the Company's common share purchase options for the three months ended August 31, 2017 is as follows:

Expiry date	Exercise price	May 31, 2017	Granted	Exercised	Expired/cancelled	August 31, 2017
September 30, 2017 *	\$ 0.10	300,000	-	-	-	300,000
December 16, 2017	\$ 0.25	100,000	-	-	-	100,000
February 23, 2018	\$ 0.11	50,000	-	-	-	50,000
May 10, 2018	\$ 0.15	200,000	-	-	-	200,000
November 16, 2018	\$ 0.10	700,000	-	-	-	700,000
February 23, 2019	\$ 0.10	200,000	-	-	-	200,000
March 14, 2019	\$ 0.11	600,000	-	-	-	600,000
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 13, 2019	\$ 0.11	700,000	-	-	-	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
Options outstanding		9,450,000	-	-	-	9,450,000
Options exercisable		9,450,000	-	-	-	9,450,000
Weighted average exercise price		\$0.21	\$Nil	\$Nil	\$Nil	\$0.21

\* Subsequently expired unexercised.

As of August 31, 2017, the weighted average contractual remaining life is 1.85 years (May 31, 2017 – 2.10 years).

The weighted average assumptions used to estimate the fair value of options for the three months ended August 31, 2017 and 2016 were:

	Three months ended August 31, 2017	Three months ended August 31, 2016
Risk-free interest rate	Nil	0.83%
Expected life	Nil	3 years
Expected volatility	Nil	278.22%
Expected dividend yield	Nil	Nil

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FOR THE THREE MONTHS ENDED AUGUST 31, 2017 AND 2016  
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**6. CAPITAL AND RESERVES** (Continued)

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

A summary of changes in the Company's common share purchase options for the year ended May 31, 2017 is as follows:

Expiry date	Exercise price	May 31, 2016	Granted	Exercised	Expired/cancelled	May 31, 2017
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
February 23, 2018	\$ 0.11	-	50,000	-	-	50,000
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
January 24, 2019	\$ 0.10	-	500,000	(500,000)	-	-
February 23, 2019	\$ 0.10	200,000	-	-	-	200,000
March 14, 2019	\$ 0.11	-	600,000	-	-	600,000
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	8,300,000	(5,900,000)	-	9,450,000
Options exercisable		7,050,000	8,300,000	(5,900,000)	-	9,450,000
Weighted average exercise price		\$0.20	\$0.14	\$0.10	\$Nil	\$0.21

**7. LOSS PER SHARE**

*Basic and diluted loss per share*

The calculation of basic and diluted loss per share for the three months ended August 31, 2017 was based on the loss attributable to common shareholders of \$146,617 (August 31, 2016 – \$272,899) and a weighted average number of common shares outstanding of 121,606,561 (August 31, 2016 – 108,552,254).

Diluted loss per share did not include the effect of 9,450,000 share purchase options, 733,333 broker's warrants and 33,915,969 warrants for the three months ended August 31, 2017 (August 31, 2016 – 7,250,000 share purchase options, 833,333 broker's warrants and 35,615,969 warrants) as they are anti-dilutive.

## 8. 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 three months ended August 31, 2017

	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>	\$ 28,500	\$ 38	\$ Nil	\$ Nil	\$ Nil	\$ 28,538
Mark T. Brown Chief Financial Officer <sup>(b)</sup>	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil

For the three months ended August 31, 2016

	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>	\$ 25,500	\$ 731	\$ Nil	\$ Nil	\$ Nil	\$ 26,231
Mark T. Brown Chief Financial Officer <sup>(b)</sup>	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil

### Related party liabilities

	Services	Three months ended		Balance due	
		August 31, 2017	August 31, 2016	As at August 31, 2017	As at May 31, 2017
Amounts due to:					
Jarrett Malnarick Chief Executive Officer <sup>(a)</sup>	Salaries	\$ 28,538	\$ 26,231	\$ -	\$ -
Pacific Opportunity Capital Ltd. <sup>(b)</sup>	Management and accounting services	\$ 22,500	\$ 22,500	\$ -	\$ -
TOTAL:				\$ -	\$ -

(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.

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

See Note 5.



## 9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

	Three months ended	
	August 31, 2017	August 31, 2016
Acquisition of intangible assets in exchange for common shares	\$ -	\$ 1,000,000
Issuance of common shares in exchange for debt settlement	\$ -	\$ 137,910

## 10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The fair values of the Company's cash, receivables, and accounts payable and accrued liabilities 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 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 August 31, 2017 and May 31, 2017, all of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

As at August 31, 2017, the Company has a working capital of \$401,354. 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 receivables (excluding GST).

### (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 consolidated 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.

## 10. 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, 2017 and May 31, 2017.

<b>As at August 31, 2017</b>	Level 1	Level 2	Level 3	Total
Assets:				
Cash	\$ 415,025	\$ -	\$ -	\$ 415,025
	\$ 415,025	\$ -	\$ -	\$ 415,025

  

<b>As at May 31, 2017</b>	Level 1	Level 2	Level 3	Total
Assets:				
Cash	\$ 521,618	\$ -	\$ -	\$ 521,618
	\$ 521,618	\$ -	\$ -	\$ 521,618

## 11. MANAGEMENT OF CAPITAL RISK

The Company manages its cash and shareholders' equity as capital. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. 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.

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.

## 12. 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.

### **13. CONTIGENT LIABILITY**

On October 15, 2014, the Company paid a deposit of approximately \$334,000 for materials and equipment related to the Company's Greenhouse project in St-Chysotome, Quebec. Despite several requests, the Company has not received an accounting of all invoices relating to the project and the application of the deposit to the invoices. Accordingly, the Company is not able to determine whether there is a balance payable or receivable in respect of the invoices. As there is significant uncertainty with respect to the amount, if any, that may be payable, invoices previously recorded in the amount of approximately \$180,000 have been written off and are no longer recognized as a liability.

### **14. COMPARATIVE AMOUNTS**

Certain of the operating expenses for the three months ended August 31, 2016 have been reclassified to correctly present production and development expenses for the period.