CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

MAY 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S 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 statements of financial position as at May 31, 2018 and 2017, and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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, 2018 and 2017 and its financial performance and its cash flows for the years 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.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
September 26, 2018

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

	Note	2018	2017
Assets			
Current assets			
Cash		$ 627,948	$ 521,618
Receivables	11	191,864	4,872
Prepaid expenses		20,006	21,499
Deposit on equipment purchase	16	184,040	-
Due from related party	8	220,000	-
		1,243,858	547,989
Non-current assets			
Property and equipment	4	4,297	4,158
Intangible assets	5	2,086,167	2,224,747
		2,090,464	2,228,905
Total assets		$ 3,334,322	$ 2,776,894
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8,15	$ 92,359	$ 34,975
		92,359	34,975
Equity			
Share capital	6	25,315,866	20,211,332
Reserves	6	6,890,165	6,795,167
Deficit		(28,964,068)	(24,264,580)
		3,241,963	2,741,919
Total equity and liabilities		$ 3,334,322	$ 2,776,894

Events after the reporting period (Note 16)

These consolidated financial statements are authorized for issue by the Board of Directors on September 26, 2018. 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	2018	2017
Production and development costs			
Vertical Growing Tower			
Cost		$ -	$ 38,598
Item assembly costs		294	41,081
Testing		1,100	1,211
Tower setup		53,719	13,217
Amortization - patents	5	138,580	136,266
Research	8	39,869	10,476
Travel		35,418	8,839
		(268,980)	(249,688)
Gross loss		(268,980)	(249,688)
Expenses			
Registration and information to shareholders		47,554	47,955
Consulting fees	11	3,601,358	181,180
Professional fees	8	154,647	225,544
Employee benefit expenses		138,003	111,638
Management fees	8	43,000	-
Share-based payment	6, 8	432,260	1,076,795
Amortization	4	1,265	2,296
Other operating expenses		20,414	22,044
		(4,438,501)	(1,667,452)
Operating loss		(4,707,481)	(1,917,140)
Other items			
Loss on disposal of available for sale investments		-	(31,551)
Gain on sale of property and equipment	4	-	25,515
Write-off of accounts payable	9, 15	-	201,884
Other		7,993	4,174
		7,993	200,022
Net loss for the year		$ (4,699,488)	$ (1,717,118)
Transfer to statement of comprehensive loss on disposal		-	61,000
Comprehensive loss for the year		$ (4,699,488)	$ (1,656,118)
Basic and diluted loss per share	7	$ (0.04)	$ (0.01)
Weighted average number of shares		129,110,980	117,210,132

(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, 2016		**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	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)
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
Transfer to statement of comprehensive loss on disposal		-	-	-	-	-	61,000	-	61,000
Share-based payment		-	-	-	-	1,076,795	-	-	1,076,795
Net loss		-	-	-	-	-	-	(1,717,118)	(1,717,118)
Balance as at May 31, 2017		121,606,561	20,211,332	1,348,143	117,932	5,329,092	-	(24,264,580)	2,741,919
Share issues:									
Private placements	6	28,201,547	4,336,048	16,018	-	-	-	-	4,352,066
Share issue costs	6	-	(13,574)	-	4,280	-	-	-	(9,294)
Options exercised	6	2,800,000	737,060	-	-	(357,560)	-	-	379,500
Warrants exercised	6	300,000	45,000	-	-	-	-	-	45,000
Share-based payment		-	-	-	-	432,260	-	-	432,260
Net loss		-	-	-	-	-	-	(4,699,488)	(4,699,488)
Balance as at May 31, 2018		**152,908,108**	**$ 25,315,866**	**$ 1,364,161**	**$ 122,212**	**$ 5,403,792**	**$ -**	**$ (28,964,068)**	**$ 3,241,963**

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

	2018	2017
Cash flows from operating activities		
Net loss for the year	$ (4,699,488)	$ (1,717,118)
Items not involving cash:		
Amortization	1,265	2,296
Amortization - patents	138,580	136,266
Loss on disposal of available for sale investments	-	31,551
Gain on sale of property and equipment	-	(25,515)
Share-based payment	432,260	1,076,795
Write-off of accounts payable	-	(201,884)
Changes in non-cash working capital items:		
Receivables	(186,992)	23,571
Prepaid expenses	1,493	10,470
Accounts payable and accrued liabilities	14,744	13,314
Due to related parties	-	(17,283)
Net cash (used in) operating activities	(4,298,138)	(667,537)
Cash flows from investing activities		
Net proceeds from investments - available for sale	-	41,449
Purchase of property and equipment	(1,404)	-
Deposit on equipment purchase	(141,400)	-
Sale of property and equipment	-	275,000
Due from related party	(220,000)	-
Net cash provided by (used in) investing activities	(362,804)	316,449
Cash flows from financing activities		
Proceeds from issuance of common shares	4,776,566	870,000
Share issue costs	(9,294)	(500)
Net cash provided by financing activities	4,767,272	869,500
Change in cash for the year	106,330	518,412
Cash, beginning of the year	521,618	3,206
Cash, end of the year	$ 627,948	$ 521,618

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, including agreements with related parties.

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, 2018 has an accumulated deficit of $28,964,068 and working capital of $967,459 (excluding deposit on equipment purchase). It has relied upon financing primarily from private equity placements and exercise of options and warrants to fund its operations. 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 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 consolidated 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, 2018 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)

On initial recognition, IFRS 9 requires financial assets to be classified into three measurement categories: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. On initial recognition, IFRS 9 requires financial liabilities to be classified as subsequently measured at amortized cost except for when one of the specified exceptions applies.

IFRS 9 provides a three-stage expected credit loss model for calculating impairment for financial assets. Expected credit losses are required to be recognized when financial instruments are initially recognized and the amount of expected credit losses recognized are required to be updated at each reporting date to reflect changes in the credit risk of the financial instruments.

IFRS 15 provides a five-step model for the recognition of revenue when control of goods is transferred to, or a service is performed for, the customer. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied.

Both IFRS 9 and IFRS 15 are applied retrospectively.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

a) Basis of consolidation *(continued)*

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.

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) Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined using the first-in-first-out method. Costs includes acquisition, freight and other directly attributable costs. Net realizable value represents the estimated selling prices less all estimated costs of completion and costs necessary to make the sale. Vertical growing towers that have been provided to licensees pursuant to test license agreements are expensed.

e) Property and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e) Property and equipment *(Continued)*

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

	Useful life
Growing equipment	30% declining balance
Computer equipment	30% declining balance
Office equipment	20% declining balance

Property 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.

Assets are amortized when they are available for use.

f) Intangible assets

Intangible assets acquired separately by the Company are measured on initial recognition at cost. The cost of intangible assets acquired is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amoritzation period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

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 Company holds two patents with effective lives of twenty-five years each. The patents are being amortized down over the effective lives of the patents (see Note 3(n)).

g) Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company.

Revenue from the Company's sales agreements is assessed in order to determine 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, upfront payments as well as equipment sales.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

g) Revenue recognition *(Continued)*

Revenue for each separately identifiable component is 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.

See Note 2(c).

h) 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.

i) 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.

j) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

k) 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:

- The assessment of the ultimate collectability of due from related party.

<u>Critical judgments</u>

- Going Concern - Evaluation of the ability of the Company to realize its strategy for funding its future needs for working capital involves making judgments.

- Fair value and useful life of intangible assets - The value of the intangible assets was determined based on the fair value of the consideration 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.

- Impairment of intangible assets – The determination that there are no indicators of impairment indicating that the carrying amount exceeds the recoverable amount.

l) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

m) 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.

Other financial liabilities - This category includes accounts payable and accrued liabilities which are recognized at amortized cost.

At May 31, 2018 and 2017, the Company did not have any derivative financial assets or liabilities.

See Note 2(c).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n) Impairment of property and equipment and intangible assets (excluding goodwill)

Property 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 amortization. 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 amortization charge for the period.

o) 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.

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.

(Presented in Canadian Dollars)

4. PROPERTY AND EQUIPMENT

	Greenhouse	Land	Building	Computer equipment	Office equipment	Total
Cost						
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 year	-	-	-	1,404	-	1,404
As at May 31, 2018	$ -	$ -	$ -	$ 5,438	$ 5,863	$ 11,301
Accumulated amortization						
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 year	-	-	-	543	722	1,265
As at May 31, 2018	$ -	$ -	$ -	$ 2,826	$ 4,178	$ 7,004
Net book value						
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 May 31, 2018	$ -	$ -	$ -	$ 2,612	$ 1,685	$ 4,297

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

5. INTANGIBLE ASSETS

	Patents
Cost	
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 year	-
As at May 31, 2018	$ 2,494,443
Accumulated amortization	
As at June 1, 2016	$ 133,430
Amortization for the year	136,266
As at May 31, 2017	269,696
Amortization for the year	138,580
As at May 31, 2018	$ 408,276
Net book value	
As at June 1, 2016	$ 1,361,013
As at May 31, 2017	$ 2,224,747
As at May 31, 2018	$ 2,086,167

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 Vertical Designs Ltd. (“VDL”), a company controlled by the current Chief Executive Officer Nicholas Brusatore along with Aboriginal Import Export, a company controlled by Mr. Brusatore. The consideration paid by the Company was 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, 2014 and October 21, 2014. This technology was patented in 2013 and there are 16 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 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 May 31, 2018 and 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:

<u>During the year ended May 31, 2017</u>

a. On June 15, 2016, the Company completed the second and final 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. 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 four years exercisable at $0.10 per share purchase warrant.

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.

(Presented in Canadian Dollars)

6. CAPITAL AND RESERVES *(Continued)*

(ii) Share issuances: *(Continued)*

During the year ended May 31, 2018

e. On March 8, 2018, the Company completed a non-brokered private placement by issuing 24,997,916 units ("Unit") at a price of $0.16 per Unit for gross proceeds of $3,999,667. Each Unit is comprised of one common share and one common share purchase warrant of the Company. Each warrant entitles the holder to purchase one additional common share for a two year period exercisable at a price of $0.25. If, however, the closing price of the Company's shares are $0.40 or greater for a period of 20 consecutive trading days, the warrant holder will have 30 days to exercise their warrants; otherwise the warrants expire on the 31st day.

f. On April 17, 2018, the Company completed a non-brokered private placement by issuing 3,203,631 units ("Unit") at a price of $0.11 per Unit for gross proceeds of $352,399. Each Unit is comprised of one common share and one common share purchase warrant of the Company. Each warrant entitles the holder to purchase one additional common share for a two year period exercisable at a price of $0.20. If, however, the closing price of the Company's shares are $0.40 or greater for a period of 20 consecutive trading days, the warrant holder will have 30 days to exercise their warrants; otherwise the warrants expire on the 31st day. Under the residual value approach, $16,018 was assigned to the warrants component of the Units.

   In connection with the financings, a finder's fee of $7,782 was paid and 70,747 broker warrants were issued to third parties. The broker's warrants have a term of 24 months and are exercisable at $0.20 per broker's warrant. The value of the broker's warrants was determined to be $4,280 and was calculated using the Black-Scholes option pricing model. The Company incurred addional share issue costs of $1,512 in connection with the financing.

g. During the year ended May 31, 2018, the Company issued common shares pursuant to the exercise of 2,800,000 stock options for cash proceeds of $379,500 and the exercise of 300,000 warrants for cash proceeds of $45,000.

(iii) Warrants:

The continuity of warrants for the year ended May 31, 2018 is as follows:

Expiry date		Exercise price	May 31, 2017	Issued	Exercised	Expired	May 31, 2018
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)	-
September 11, 2018		$0.15	14,600,000	-	(300,000)	-	14,300,000
April 4, 2019	*	$0.40	635,000	-	-	-	635,000
April 7, 2019	*	$0.40	3,045,636	-	-	-	3,045,636
April 11, 2019	*	$0.40	1,080,000	-	-	-	1,080,000
April 14, 2019	*	$0.40	564,000	-	-	-	564,000
April 16, 2019	*	$0.40	178,000	-	-	-	178,000
April 22, 2019	*	$0.40	360,000	-	-	-	360,000
April 23, 2019	*	$0.40	1,620,000	-	-	-	1,620,000
August 17, 2020		$0.10	2,000,000	-	-	-	2,000,000
March 8, 2020	**	$0.25	-	24,997,916	-	-	24,997,916
April 17, 2020	**	$0.20	-	3,203,631	-	-	3,203,631
Outstanding			33,915,969	28,201,547	(300,000)	(9,833,333)	51,984,183
Weighted average exercise price			$0.21	$ 0.24	$0.15	$0.16	$0.24

* On March 14, 2018, these warrants were extended for one additional year to expire in April 2019.

(Presented in Canadian Dollars)

6. CAPITAL AND RESERVES *(Continued)*

(iii) Warrants: *(Continued)*

** These warrants have a forced exercise price. If the closing price of the Company's shares are $0.40 or greater for a period of 20 consecutive trading days, the warrant holder will have 30 days to exercise their warrants; otherwise the warrants expire on the 31st day.

As of May 31, 2018, the weighted average contractual life is 1.26 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

(iv) Broker's Warrants:

The continuity of broker's warrants for the year ended May 31, 2018 is as follows:

Expiry date	Exercise price	May 31, 2017	Issued	Exercised	Expired	May 31, 2018
October 30, 2017	$0.15	733,333	-	-	(733,333)	-
April 17, 2020	$0.20	-	70,747	-	-	70,747
Outstanding		733,333	70,747	-	(733,333)	70,747
Weighted average exercise price		$0.15	$0.20	$Nil	$0.15	$0.20

As of May 31, 2018, the weighted average contractual remaining life is 1.88 years (May 31, 2017 – 0.42 years).

The weighted average assumptions used to estimate the fair value of broker's warrants for the year ended May 31, 2018 and 2017 were:

	2018	2017
Risk-free interest rate	1.02%	Nil
Expected life	2 years	Nil
Expected volatility	140.94%	Nil
Expected dividend yield	Nil	Nil

(Presented in Canadian Dollars)

6. CAPITAL AND RESERVES *(Continued)*

(iv) Broker's Warrants: *(Continued)*

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 15,290,811 shares on May 31, 2018.

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.

(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 year ended May 31, 2018 is as follows:

Expiry date	Exercise price	May 31, 2017	Granted	Exercised	Expired/ cancelled	May 31, 2018
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	-	(100,000)	-	600,000
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	-	(1,100,000)	-	800,000
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	-	(300,000)	-	1,250,000
December 20, 2020	$ 0.155	-	500,000	-	-	500,000
January 16, 2021	$ 0.19	-	900,000	-	-	900,000
April 5, 2021	$ 0.115	-	2,000,000	-	-	2,000,000
May 18, 2021	$ 0.11	-	500,000	-	-	500,000
Options outstanding		9,450,000	3,900,000	(2,800,000)	(650,000)	9,900,000
Options exercisable		9,450,000	3,900,000	(2,800,000)	(650,000)	9,900,000
Weighted average exercise price		$0.21	$0.14	$0.14	$0.14	$0.20

As of May 31, 2018, the weighted average contractual remaining life is 1.82 years (May 31, 2017 – 2.10 years).

The weighted average assumptions used to estimate the fair value of options for the years ended May 31, 2018 and 2017 were:

	2018	2017
Risk-free interest rate	0.85%	0.76%
Expected life	3 years	2.86 years
Expected volatility	150.25%	256.51%
Expected dividend yield	Nil	Nil

(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 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

(Presented in Canadian Dollars)

7. LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended May 31, 2018 was based on the loss attributable to common shareholders of $4,699,488 (2017 – $1,717,118) and a weighted average number of common shares outstanding of 129,110,980 (2017 – 117,210,132).

Diluted loss per share did not include the effect of 9,900,000 share purchase options, 70,747 broker's warrants and 51,984,183 warrants for the year ended May 31, 2018 (2017 – 9,450,000 share purchase options, 733,333 broker's warrants and 33,915,969 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:

	2018	2017
Production and development costs - research	$ 36,059	$ -
Consulting fees	230,000	-
Professional and management fees	136,000	97,500
Employee benefit expenses	138,003	116,428
Share-based payments	368,810	132,290
Total	$ 908,872	$ 346,218

(Presented in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS *(Continued)*

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

		Transactions for the years ended		Balance due	
	Services	May 31, 2018	May 31, 2017	As at May 31, 2018	As at May 31, 2017
Nicholas Brusatore Chief Executive Officer [(a)]	Share-based payment	$ 92,800	$ -	$ -	$ -
Aboriginal Import Export [(a)]	Consulting and management fees	$ 120,000	$ -	$ -	$ -
Randy Minhas Chief Financial Officer [(b)]	Salaries and share-based payment	$ 49,606	$ -	$ -	$ -
Vertical Designs Ltd. [(f)]	Production and development costs - research	$ 36,059	$ -	$ -	$ -
Jarrett Malnarick Former Chief Executive Officer [(c)]	Salaries, severance and share-based payment	$ 240,727	$ 198,758	$ -	$ -
Mark T. Brown Former Chief Financial Officer [(d)]	Share-based payment	$ 30,880	$ 49,960	$ -	$ -
Pacific Opportunity Capital Ltd. [(d)]	Professional fees - accounting services	$ 93,000	$ 97,500	$ 31	$ -
Sam Chaudhry [(e)]	Management fees	$ 3,000	$ -	$ -	$ -
Chaudhry U Consulting Inc. [(e)]	Consulting fees	$ 100,000	$ -	$ -	$ -
Brian Whitlock Director [(g)]	Share-based payment	$ 92,800	$ -	$ -	$ -
Softail Enterprises Inc. [(g)]	Consulting fees	$ 50,000	$ -	$ -	$ -

(a) Nicholas Brusatore was appointed as the Chief Executive Officer effective January 29, 2018 and was compensated via payment to Aboriginal Import Export, a company controlled by Mr. Brusatore. During the year ended May 31, 2018, Aboriginal Import Export was paid $80,000 for consulting fees and $40,000 for management fees.
(b) Randy Minhas was appointed as the Chief Financial Officer effective May 2, 2018.
(c) Jarrett Malnarick was appointed as the Chief Executive Officer effective October 1, 2015 and resigned on January 18, 2018, at which time $50,000 was paid as severance.
(d) Mark T. Brown was appointed as the Chief Financial Officer effective October 1, 2015 and resigned on March 8, 2018. Mr. Brown is the president of Pacific Opportunity Capital Ltd., a private company.
(e) Sam Chaudhry was appointed as the Chief Financial Officer effective March 8, 2018 and resigned on May 2, 2018. Chaudhry U Consulting Inc. is controlled by Mr. Chaudhry.
(f) Vertical Designs Ltd. ("VDL") is a company controlled by Nicholas Brusatore along with Aboriginal Import Export.
(g) Softail Enterprises Inc. is controlled by a director of the Company.

(ii) Transactions with a company controlled by an officer

See Notes 5 and 16.

(iii) Promissory note with a company controlled by an officer

The Company has a promissory note receivable with VDL, which matures on December 31, 2018, bears an annual interest rate of 15% and is secured by the assets of VDL, of which, there currently are none. The principal amount is $220,000.

(Presented in Canadian Dollars)

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

		Years ended	
	Note	May 31, 2018	May 31, 2017
Acquisition of intangible assets in exchange for common shares	5	$ -	$ 1,000,000
Deposit on equipment purchase		$ 42,640	$ -
Issuance of common shares in exchange for debt settlement	6	$ -	$ 137,910
Write-off of accounts payable - dispute	14	$ -	$ 180,884
Write-off of accounts payable - statute of limitations exceeded		$ -	$ 21,000

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The fair values of the Company's cash, receivables, due from related party(excluding GST), 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 May 31, 2018 and 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 May 31, 2018, the Company has a working capital of $967,459(excluding deposit on equipment purchase). 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, receivables(excluding GST), deposit, and due from related party.

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

(iv) Currency risk

The Company is exposed to currency risk arising from exchange rate fluctuations against its reporting Canadian currency. Currency transaction risk is the impact of exchange rate fluctuations on the Company's 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.

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, 2018 and 2017.

As at May 31, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Cash	$ 627,948	$ -	$ -	$ 627,948
	$ 627,948	$ -	$ -	$ 627,948

As at May 31, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Cash	$ 521,618	$ -	$ -	$ 521,618
	$ 521,618	$ -	$ -	$ 521,618

11. CONSULTING SERVICES

On March 1, 2018, the Company entered into 14 three-month contracts for consulting services totalling $3,500,000 for accounting, corporate and administrative services, internet marketing, investor relations, merger and acquisition consulting and cannabis consulting. $175,000 in GST paid on these consulting fees is included in receivables at May 31, 2018.

12. 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:

	2018	2017
	26.42%	26.00%
Loss for the year before income taxes	$ (4,699,488)	$ (1,717,118)
Income tax benefit computed at statutory rates	(1,241,448)	(446,451)
Deductible and non-deductible amounts	148,765	96,463
Tax assets not recognized	1,092,683	349,988
Income tax expense	$ -	$ -

(Presented in Canadian Dollars)

12. INCOME TAX *(Continued)*

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

	2018	2017
Exploration and evaluation assets	$ 2,290,000	$ 2,290,000
Non-capital and net capital losses carried forward	16,870,000	12,709,000
Investment tax credits	6,000	6,000
Share issue costs	36,000	75,000
Property and equipment and other intangibles	456,000	317,000
	$ 19,658,000	$ 15,397,000

The Company has non-capital losses of approximately $16,843,000 (2017 - $12,655,000) which are available to reduce taxes in future periods, for which no deferred income tax asset has been recognized in the consolidated statement of financial position, that can be carried over the following years :

2025	$ 2,000
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	5,036,000
2035	3,780,000
2036	977,000
2037	1,376,000
2038	4,159,000
	$ 16,843,000

13. 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.

14. SEGMENTED FINANCIAL INFORMATION

The Company operates in one industry segment, the agriculture technoloygy industry. The Company operates in North America.

15. 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.

16. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year end, the Company delivered two growing towers, valued at approximately $40,000, to the Company's CEO's property for use in VDL's greenhouse project.

On July 10, 2018, the Company entered an independent consulting agreement for general agriculture and implementation of appropriate protocols at VDL's greenhouse project. The Company will pay the consultant $1,000 per month for a period of 12 months commencing July 10, 2018. In connection with this agreement, the Company issued 100,000 options at a price of $0.10 to its consultant for a period of three years, expiring on July 16, 2021.

On August 9, 2018, the Company executed a promissory note to lend VDL Colombia SAS, a company controlled by the Company's CEO, for up to a maximum of US$75,000 at an interest rate of 15% per year. The loan is repayable by August 31, 2018 and is secured by the assets of VDL Colombia SAS(of which there currently are none). The shareholders of VDL Colombia SAS have also pledged its shares of VDL Colombia SAS as additional security. To date, the Company has lent US$75,000 and no amounts have been repaid.

On August 24, 2018, the Company granted a total of 600,000 options at a price of $0.115 to its directors for a period of three years, expiring on August 24, 2021.