Trading Symbol (CSE: AFI)
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AFFINOR GROWERS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018

INTRODUCTION

This is Management's Discussion and Analysis ("MD&A") for Affinor Growers Inc. ("Affinor" or the "Company") and has been prepared based on information known to management as of September 26, 2018. This MD&A is intended to help the reader understand the consolidated financial statements of Affinor.

The following information should be read in conjunction with the audited consolidated financial statements as at May 31, 2018 and 2017 and the related notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A provides a review of the performance of the Company for the year ended May 31, 2018. Additional information relating to the Company can be found on SEDAR www.sedar.com.

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

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

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

FORWARD LOOKING STATEMENTS

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

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

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

ADDITIONAL INFORMATION

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

SUMMARY AND OUTLOOK

It is the mission of Affinor to be the world-wide technology and market leader in acquiring and commercializing innovative vertical farming technologies that use the least possible resources (eg. land, water, and energy resources) to produce high quality, sustainable products.

Affinor's patented technologies position the Company well in the vertical farming industry. It is one of the only vertically integrated growing system that can offer automated mechanical pollination for fruiting crops and true vertical solutions for the vertical farming industry. Revenue models for the Company include one-time licensing fees, royalties on production, and margin on the sale of the Company's patented technology.

During 2018, the Company worked diligently to expand its network of strategic partners across Canada and the Caribbean. The Company entered into licensing agreements with companies that had similar goals as the Company and understood our technology. In addition, we continued to make improvements to the Company's vertical farming towers. Subsequent to year-end, the Company filed a continuation on the vertical farming towers in the United States and new patents in Canada, Colombia and Aruba.

The Company's focus for 2019 will be on working with our strategic partners to commercialize the vertical farming towers. The Company's goal is to become the leading technology developer and distributor of vertical farming equipment in order to help solve food security problems by using our proprietary growing and cultivation systems.

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1. Background

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

The Company began as Affinor Resources Inc., a company with mining projects in Québec, Canada. The Company recognized a great opportunity when it discovered a team that was developing a system and technology to help solve problematic crops sustainably.

2. Highlights Summary

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

The Company completed two private placements raising $4,352,066 by issuing shares and also 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.

On February 14, 2018, the Company announced that it has signed a letter of intent with a later stage Licensed Producer Applicant in British Columbia. On May 17, 2018, the Company announced that it had signed a definitive license agreement with a later stage Licensed Producer Applicant in British Columbia. The license gives the exclusive rights for Vancouver Island for fruits, vegetables and cannabis once the Health Canada license is achieved, to grow, process, process, import and export cannabis. The 15,000 square foot greenhouse slated to be completed by end of 2018 will house up to 48 full scale towers service Vancouver Island with high quality, low priced organic pharma grade marijuana while diversifying into organic food production to further showcase more sustainable practices in Canada. Affinor will provide updates on the license status as the Health Canada licensing procedure continues.

On February 21, 2018, the Company announced that it has signed an exclusive license agreement with Vertical Designs Aruba Inc. ("VDA") to produce marijuana and food using the Company's patented rotating vertical towers. Due to some legal obstacles during the incorporation process, VDA Vertical Designs Aruba VBA was incorporated in place of Vertical Designs Aruba Inc. Subsequent to year-end, the Company and VDA Vertical Designs Aruba VBA are in the process of finalizing a new amended licensing agreement. VDA Vertical Designs Aruba VBA is considered a related party as a result of the Company's CEO owning a non-controlling interest in the entity.

The Company is now in the process of setting up a single vertical growing tower in Abbotsford for the purpose of completing a second phase test and improving efficiencies in growing Marijuana using the vertical growing tower technology. The original test was completed in 2017 and was a success based on the increases in production using the the vertical tower technology. Both of these tests are being done under medical marijuana licenses currently in good standing.

On March 27, 2018, the Company announced that it had signed an exclusive manufacturing license with Cobotix Manufacturing Inc. (“Cobotix”) on March 26, 2018. Cobotix plans to incorporate in Aruba to build a state-of-the-art manufacturing plant. Cobotix is in the final stages of incorporation and currently completing its due diligence on manufacturing space as well as office space. The cost of project which includes the setup of lasers and welding forming equipment is estimated to be approximately $5 Million, which will be entirely funded by Cobotix.

Cobotix Manufacturing Inc. is the current manufacture of the Affinor Growers Patented Vertical Farming Technology. This state-of-the-art manufacturing facility in Aruba will service the needs of the Caribbean and enable the ramp up and meeting of all manufacturing goals and targets. Many skilled job opportunities will be created while adding to the sustainable drive and needs in many regions around the world.

Through a newly formed entity, Affinor Growers will receive 10% voting shares of Cobotix Manufacturing Aruba, a seat on the board of directors and 10% of any subsidiaries created to service the Caribbean going forward. No water waste and pesticide use are important elements to the technology. We feel the quality product and production methods used, will be industry leading and show the world suitability and quality while driving the markets.

On March 29, 2018, the Company announced the incorporation process by Vertical Designs Ltd in the country of Colombia. The incorporation process was completed in August 2018. The company, VDL Colombia SAS, is considered a related party as a current director holds a 50% ownership in the entity. The companies have yet to come to terms on a licensing agreement.

4. Risks and Uncertainties

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

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

Inherent risks within the agricultural industry

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

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

Prices for produce

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

Foreign currency risks

The Company uses the Canadian dollar as its measurement and reporting currency, and therefore fluctuations in exchange rates between the Canadian dollar and other currencies may affect the results of operations and financial position of the Company. The Company does not currently have any foreign currency or commercial risk hedges in place.

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

5. Impairment of Intangible Assets

The Company completed an impairment analysis as at May 31, 2018 and concluded that no impairment charge was required because:

- the patents have 16 years of life remaining;
- there have been no significant changes in the legal factors or climate that affects the lives of the patents;
- the Company's continued development of its vertical farming technology using the patents; and
- the potential sales or joint researches that the Company has had thus far.

6. Material Financial and Operations Information

6(a) Selected Annual Financial Information

Selected Annual Information

	Year Ended May 31, 2018	**Year Ended May 31, 2017**	**Year Ended May 31, 2016**
Total revenues	$ -	$ -	$ 83,431
Loss before investments, financing and income taxes	(4,707,481)	(1,917,140)	(1,530,141)
Loss on investments	-	(31,551)	(95,675)
Impairment of property, plant and equipment, investment, option and loans	-	-	(1,032,179)
Loss for the year	(4,699,488)	(1,717,118)	(2,618,710)

Loss per share	(0.04)	(0.01)	(0.03)
Total assets	3,334,322	2,776,894	1,692,570
Total long-term financial liabilities	-	-	-
Cash dividends declared – per share	N/A	N/A	N/A

6(b) Summary of Quarterly Results

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

	Three months ended							
		May 31, 2018		February 28, 2018		November 30, 2017		August 31, 2017
Total revenues	$	-	$	-	$	-	$	-
Net loss	$	(4,058,574)	$	(346,625)	$	(147,672)	$	(146,617)
Loss per share	$	(0.03)	$	-	$	-	$	-

	Three months ended							
		May 31, 2017		February 29, 2017		November 30, 2016		August 31, 2016
Total revenues	$	-	$	-	$	-	$	-
Net loss	$	(255,362)	$	(9,672)	$	(1,179,185)	$	(272,899)
Loss per share	$	-	$	-	$	(0.01)	$	-

6(c) Review of Operations and Financial Results

For three months ended May 31, 2018 and three months ended May 31, 2017

During the three months ended May 31, 2018, the Company reported a loss of $4,058,574 ($0.03 loss per share) (2017 – $255,362 ($0.00 loss per share)).

During the three months ended May 31, 2018, the Company reported production and development costs of $152,821 (2017 - $67,095).

Excluding the non-cash amortization of $329 (2017 – $444) and share-based payment of $283,900 (2017 - $51,900), the Company's general and administrative expenses amounted to $3,625,128 during the three months ended May 31, 2018 (2017 – $137,571), an increase of $3,487,557. The reason for the change was a result of the increase in consulting fees of $3,405,303 (2017 - $39,544) and management fees of $43,000 (2017 - $Nil).

The other major item for the three months ended May 31, 2018, compared with May 31, 2017 was:

- Production and development costs of $152,821 (2017 - $67,095).

For year ended May 31, 2018 and year ended May 31, 2017

During the year ended May 31, 2018, the Company reported a loss of $4,699,488 ($0.04 loss per share) (2017 – $1,717,118 ($0.01 loss per share)).

During the year ended May 31, 2018, the Company reported production and development costs of $268,980 (2017 - $249,688).

Excluding the non-cash amortization of $1,265 (2017 – $2,296) and share-based payment of $432,260 (2017 - $1,076,795), the Company's general and administrative expenses amounted to $4,004,976 during the year ended May 31, 2018 (2017 – $588,361), an increase of $3,416,615. The reason for the change was a result of the increase in consulting fees of $3,601,358 (2017 - $181,180) and management fees of $43,000 (2017 - $Nil).

The other major items for the year ended May 31, 2018, compared with May 31, 2017 were:

- Gain on sale of property and equipment of $Nil (2017 - $25,515);
- Loss on disposal of available for sale investments of $Nil (2017 – $31,551); and
- Write-off of accounts payable of $Nil (2017 - $201,884).

6(d) Liquidity and Capital Resources

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

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

On 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 share 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.

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 share 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.

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.

During the year ended May 31, 2018, the Company issued a total of 3,900,000 options to its directors, officers and consultants at prices ranging from $0.11 to $0.19 for a period of three years, expiring from December 20, 2020 to May 18, 2021.

On March 14, 2018, 7,482,636 warrants granted between April 4, 2014 to April 23, 2014 with original expiry dates ranging from April 4, 2018 to April 23, 2018 were extended to expire between April 4, 2019 to April 23, 2019.

Subsequent to May 31, 2018, a total of 700,000 options were granted to its consultant and directors at prices ranging from $0.10 to $0.115 for a period of three years, expiring from July 16, 2021 to August 24, 2021.

On May 31, 2018, the Company had working capital of $967,459 (excluding deposit on equipment purchase) (May 31, 2017 - $513,014) including cash of $627,948 ($521,618 as at May 31, 2017) and had an accumulated deficit of $28,964,068 ($24,264,580 as at May 31, 2017) and had incurred a loss of $4,699,488 for the year ended May 31, 2018 (2017 - $1,717,118).

The Company’s business plan is dependent on raising additional funds to finance its commercial trial and development and 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 its development plans for its present or future facilities and curtail operations, which could harm the business, financial condition and results of operations. This could occur in the near term. Until such financing is secured and profitable operations are reached, there is a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

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

6(e) Disclosure of Outstanding Share Data

The authorized share capital of the Company consists of an unlimited number of common shares without par value. As at May 31, 2018, the Company’s share capital was $25,315,866 (May 31, 2017 - $20,211,332) representing 152,908,108 common shares (May 31, 2017 – 121,606,561common shares).

AFFINOR GROWERS

Stock option transactions and the number of stock options for the year ended May 31, 2018 are summarized 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

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.

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

If the remaining options, warrants, finder's options, including the warrants associated with the finder's options, were exercised, the Company's available cash would increase by $14,355,409.

As of the date of this MD&A, there were 152,908,108 common shares issued and outstanding and 215,563,038 common shares outstanding on a diluted basis.

6(f) Off-Balance Sheet Arrangements

None.

6(g) Transactions with Related Parties

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

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

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

	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	$ 872,813	$ 346,218

		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.

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.

6(h) Financial Instruments

The fair values of the Company's cash, receivables, due from related party(excluding GST), and accounts payables 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 because of changes in market prices, such as foreign exchange rates and interest rates. The objectives of the Company are to ensure cash inflows in the short and medium term, while reducing exposure to capital markets. The Company is exposed to market risk from its investments - available for sale. The Company does not trade in financial assets for speculative purposes.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

The Company manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its obligations. The Company also issued shares and share instruments as consideration for investments, compensation and services.

As at 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 presents 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.

(iv) Currency risk

The Company is exposed to currency risk arising from exchange rate fluctuations against its reporting Canadian currency. Currency transaction risk is the impact of exchange rate fluctuations on the Company's Statement of Comprehensive Loss, which is the effect of currency rates on expected future cash flows and investments. The principal foreign exchange transaction exposure comprises both the geographical location of the Company's sales of licence in the USA and the sourcing of raw material, labour and overhead office being in Canadian dollar.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as at May 31, 2018 and May 31, 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

6(i) Management of Capital Risk

The Company manages its cash and cash equivalents and shareholders' equity as capital (in the comparative year the Company managed shareholders' equity as capital). The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. This objective will be achieved by identifying the right agriculture projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents held.

In order to maximize ongoing operating efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its activities or may slow its activities until conditions improve. The Company is not subject to external capital requirements. There were no changes in the Company's approach to capital management during the period.

7. Subsequent Events

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.

8. Policies and Controls

8(a) Significant Accounting Policies 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. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 - The value of the intangible were determined based on the fair value of the considerations exchanged, which was based on the market price of the shares issued at the dates of issuance. Management judgementally used the maximum legal life of the patent as the useful life of the intangible 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.

8(b) Future Accounting Pronouncements

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, amendments and interpretations that have been issue 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.

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

Changes in Internal Control Over Financial Reporting (“ICFR”)

In connection with National Instrument 52-109, Certification of Disclosure in Issuer’s Annual and Interim Filings (“NI 52-109”) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management’s Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

Disclosure Controls and Procedures

The Company’s CEO and CFO are responsible for establishing and maintaining the Company’s disclosure controls and procedures. Management, including the CEO and CFO, have evaluated the procedures of the Company and have concluded that they provide reasonable assurance that material information is gathered and reported to senior management in a manner appropriate to ensure that material information required to be disclosed in reports filed or submitted by the Company is recorded, processed, summarized and reported within the appropriate time periods.

While management believes that the Company’s disclosure controls and procedures provide reasonable assurance, they do not expect that the controls and procedures can prevent all errors, mistakes, or fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

9. Information on the Board of Directors and Management

Directors:
Brian Whitlock
Alan Boyco
David Mack
Rick Easthom

Audit Committee members:
Alan Boyco
Brian Whitlock
David Mack

Management:
Nicholas Brusatore – Chief Executive Officer
Randy Minhas, CPA, CA – Chief Financial Officer