AFFINOR GROWERS

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

MAY 31, 2019 AND 2018

Contents

DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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Independent Auditor's Report

To the Shareholders of Affinor Growers Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Affinor Growers Inc. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company as at May 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has generated limited revenue and significant losses, has not generated positive cash flows from operations and has relied upon financing primarily from private placements and exercise of options and warrants to fund its operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Keith Macdonald.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada
October 2, 2019

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

	Note		2019		2018
Assets					
Current assets					
Cash		$	63,785	$	627,948
Receivables	8, 11		20,773		191,864
Prepaid expenses and deposits			28,627		20,006
Deposits on asset purchases	4		43,879		184,040
Due from related parties	8		30,145		220,000
			187,209		1,243,858
Non-current assets					
Property and equipment	4		13,708		4,297
Intangible assets	5		984,346		2,086,167
			998,054		2,090,464
Total assets		$	1,185,263	$	3,334,322
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	8	$	170,734	$	92,359
Customer deposit			53,550		-
			224,284		92,359
Equity					
Share capital	6		25,315,866		25,315,866
Reserves	6		7,022,025		6,890,165
Deficit			(31,376,912)		(28,964,068)
			960,979		3,241,963
Total equity and liabilities		$	1,185,263	$	3,334,322

Commitments and contingencies (Note 16)
Events after the reporting period (Note 18)

These consolidated financial statements are authorized for issue by the Board of Directors on October 2, 2019. 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	2019	2018
Revenue			
Licensing fees		$ 3,000	$ -
Production and development costs			
Vertical Growing Tower			
Item assembly costs		5,992	294
Testing		-	1,100
Tower setup	8	-	53,719
Amortization - patents	5	122,131	138,580
Depreciation - growing towers	4	17,527	-
Research	8	9,105	39,869
Travel		71,390	35,418
		(226,145)	(268,980)
Gross loss		(223,145)	(268,980)
Expenses			
Consulting fees	8, 11	205,000	3,601,358
Depreciation	4	1,289	1,265
Management fees	8	-	43,000
Other operating expenses		26,181	20,414
Professional fees	8	118,964	154,647
Registration and information to shareholders		36,731	47,554
Rent		17,683	-
Share-based payments	6, 8	131,860	432,260
Wages, employee benefits and training	8	152,584	138,003
		(690,292)	(4,438,501)
Operating loss		(913,437)	(4,707,481)
Other items			
Gain on sale of property and equipment	4	4,519	-
Impairment of intangible assets	5	(1,132,694)	-
Impairment of property and equipment	4	(71,055)	-
Write-down of due from related parties	8	(226,463)	-
Write-off of deposits on asset purchases	4	(50,000)	-
Write-off of receivables	8	(26,578)	-
Other		11,864	7,993
		(1,490,407)	7,993
Net and comprehensive loss for the year		$ (2,403,844)	$ (4,699,488)
Basic and diluted loss per share	7	$ (0.02)	$ (0.04)
Weighted average number of shares		152,908,108	129,110,980

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

		Share capital		Reserves				
	Note	Number of shares	Amount	Warrants	Broker's warrants	Equity-settled employee benefits	Deficit	Total equity
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
Impact of adopting IFRS 9	17	-	-	-	-	-	(9,000)	(9,000)
Restated opening balance under IFRS 9		152,908,108	$ 25,315,866	$ 1,364,161	$ 122,212	$ 5,403,792	$ (28,973,068)	$ 3,232,963
Share-based payment		-	-	-	-	131,860	-	131,860
Net loss		-	-	-	-	-	(2,403,844)	(2,403,844)
Balance as at May 31, 2019		**152,908,108**	**$ 25,315,866**	**$ 1,364,161**	**$ 122,212**	**$ 5,535,652**	**$ (31,376,912)**	**$ 960,979**

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

		2019		2018
Cash flows from operating activities				
Net loss for the year	$	(2,403,844)	$	(4,699,488)
Items not involving cash:				
Amortization - intangible assets		122,131		138,580
Depreciation		1,289		1,265
Depreciation - growing towers		17,527		-
Gain on sale of property and equipment		(4,519)		-
Impairment of property and equipment		71,055		-
Impairment of intangible assets		1,132,694		-
Interest accrued on due from related parties		(8,948)		-
Foreign exchange on due from related parties		(1,963)		-
Share-based payment		131,860		432,260
Write-down of due from related parties		226,463		-
Write-off of deposits on asset purchases		50,000		-
Write-off of receivables		26,578		-
Changes in non-cash working capital items:				
Receivables		144,513		(186,992)
Prepaid expenses and deposits		(8,621)		1,493
Accounts payable and accrued liabilities		37,605		14,744
Customer deposit		53,550		-
Net cash (used in) operating activities		(412,630)		(4,298,138)
Cash flows from investing activities				
Purchase of property and equipment		(36,063)		(1,404)
Deposits on assset purchases		(80,504)		(141,400)
Purchase of intangible assets		(52,269)		-
Proceeds from sale of property and equipment		52,000		-
Advances to related parties		(99,233)		(220,000)
Payments received from related parties		64,536		-
Net cash (used in) investing activities		(151,533)		(362,804)
Cash flows from financing activities				
Proceeds from issuance of common shares		-		4,776,566
Share issue costs		-		(9,294)
Net cash provided by financing activities		-		4,767,272
Change in cash for the year		(564,163)		106,330
Cash, beginning of the year		627,948		521,618
Cash, end of the year	$	63,785	$	627,948

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 200 – 8661 201 Street, Langley, BC, Canada, V2Y 0G9. The Company is listed on the Canadian Securities Exchange ("CSE"), the Frankfurt Stock Exchange and the OTC QB Exchange.

Affinor Growers Inc. is a vertical farming technology company focused on developing and commercializing the most economical vertical farming technologies that use the least possible resources (e.g. land, water, and energy resources) to produce the highest quality pesticide-free produce year-round, regardless of environmental conditions. The Company's revenue model includes entering into licensing agreements that provide licensing revenue as well as earnings on sales of its equipment.

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.

To date, the Company has generated limited revenue and significant losses, has not generated positive cash flows from operations and as at May 31, 2019 has an accumulated deficit of $31,376,912. 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").

b) Basis of preparation

Depending on the applicable IFRS requirements, the measurement basis used in the preparation of these consolidated financial statements is cost, net realizable value, fair value or recoverable amount. These financial statements, except for the statement of cash flows, are based on the accrual basis.

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

2. BASIS OF PREPARATION *(Continued)*

c) New accounting standards and interpretations

The new IFRS pronouncements listed below became effective on January 1, 2018 and were adopted by the Company during the current year. See Note 17.

(i) Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") addresses the classification, measurement and recognition of financial assets and financial liabilities and supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39.

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: 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. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than income/loss from operations, unless this creates an accounting mismatch.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The new hedge accounting model in IFRS 9 aligns hedge accounting with risk management activities undertaken by an entity. Components of both financial and non-financial items are now eligible for hedge accounting, as long as the risk component can be identified and measured. The hedge accounting model includes eligibility criteria that must be met, but these criteria are based on an economic assessment of the strength of the hedging relationship.

(ii) Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") introduces a single principles-based, 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. IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

New IFRS pronouncements that have been issued but are not yet effective at the date of these consolidated financial statements are listed below. The Company plans to apply the new standards or interpretations in the annual period for which they are first required.

2. BASIS OF PREPARATION *(Continued)*

(i) Leases

The IASB issued IFRS 16, Leases ("IFRS 16"), which eliminates the classification of leases as either operating or finance leases for a lessee. IFRS 16 is effective from January 1, 2019. Under IFRS 16, all leases will be recorded on the statement of financial position. The only exemptions to this will be for leases that are 12 months or less in duration or for leases of low-value assets. The requirement to record all leases on the statement of financial position under IFRS 16 will increase "right-of-use" assets and lease liabilities on an entity's financial statements. IFRS 16 will also change the nature of expenses relating to leases, as the straight-line lease expense previously recognized for operating leases will be replaced with depreciation expense for right-of-use assets and finance expense for lease liabilities. IFRS 16 includes an overall disclosure objective and requires a company to disclose (a) information about right-of-use assets and expenses and cash flows related to leases, (b) a maturity analysis of lease liabilities and (c) any additional company-specific information that is relevant to satisfying the disclosure objective.

The Company will apply IFRS 16 as at June 1, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The Company's consolidated financial statements consolidate those of the Company and its inactive, wholly-owned subsidiary 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.

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

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

Profit and loss and other comprehensive income of subsidiaries acquired or disposed of during the reporting 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 exchange prevailing on dates of transactions. At each state of 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. Foreign currency translation differences are recognized in profit or loss.

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. As at May 31, 2019 and 2018, the Company did not have any cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

d) Property and equipment

Property and equipment are carried at cost, less accumulated depreciation 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.

Depreciation is provided at rates calculated to write off the cost of property and equipment, less their estimated residual value, over the estimated useful 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.

e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired is their fair value as at the date of acquisition.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date that the Company can demonstrate all of the following: i) the technical feasibility of completing the intangible assets so that it will be available for use or sale; ii) its intention to complete the intangible asset and use or sell it; iii) its ability to use or sell the intangible asset; iv) how the intangible asset will generate probable future economic benefits; v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development. Until these criteria are met, expenditures are expensed as incurred.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e) Intangible assets (*Continued*)

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 and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization 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. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive loss in the expense category consistent with the function of the intangible assets. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets are amortized annually on a straight-line basis. The Company holds two patents with effective lives of 18 years each and remaining lives of 16 years. The patents are amortized over the effective lives of the patents. See Note 3(m).

Costs incurred for patents which are pending and which are in the process of being developed will be amortized over the life of the patent when the patent is issued.

f) Revenue recognition

Revenue is recognized at the point in time when the customer obtains control of the product and/or service. Control is achieved when a product is delivered to or the service is performed for the customer, the Company has a present right to payment for the product and/or service, significant risks and rewards of ownership have transferred to the customer according to contract terms and there is no unfulfilled obligation that could affect the customer's acceptance of the product and/or service.

The Company's revenue consists of sales revenues from vertical farming equipment, revenues from licensing agreements, royalties from the use of the towers and up-front licensing fees.

Revenue for each separately identifiable component is recorded as follows:

(i) payments from the sale of vertical farming technology are recognized into income when the vertical farming units are completed and ownership of the units has transferred to the customer, 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) 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;

(iii) 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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

f) Revenue recognition (*Continued*)

(iv) 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 into 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).

g) Share-based payment transactions

The Company's share option plan allows the Company's directors, officers, 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.

h) Share capital

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

i) Loss per share

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

j) Significant accounting judgments, estimates and assumptions

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

j) Significant accounting judgments, estimates and assumptions (*Continued*)

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:

(i) The assessment of the ultimate collectability of due from related parties.

<u>Critical judgments</u>

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

(ii) Provision for credit losses - Judgment is required as to the timing of establishing a provision for credit losses and the amount of the required provision, taking into consideration factors such as counterparty creditworthiness, the fair value of the underlying collateral, current economic trends and past experience. See Note 3(l).

(iii) 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.

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

Judgment is required in assessing whether certain factors would be considered an indicator of impairment or impairment reversal. Management considers both internal and external information to determine whether there is an indicator of impairment or impairment reversal present and, accordingly, whether impairment testing is required.

k) Provisions

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

l) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument.

At initial recognition, financial assets are measured at fair value and classified as subsequently measured at amortized cost, fair value through other comprehensive income (“FVTOCI”) or fair value through profit or loss (“FVTPL”). At initial recognition, financial liabilities are measured at fair value and classified as, subject to certain exceptions, subsequently measured at amortized cost. For financial assets and financial liabilities not at FVTPL, fair value is adjusted for transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in the statement of comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) Financial instruments (*Continued*)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows, and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVTPL unless it is measured at amortized cost or FVTOCI. However, an irrevocable election can be made at initial recognition for particular investments in equity instruments that would otherwise be measured at FVTPL to present subsequent changes in fair value through other comprehensive income.

The Company's financial instruments are classified and subsequently measured as follows:

Account	**Classification**
Cash	Amortized cost
Receivables (excluding GST/sales tax receivable)	Amortized cost
Deposits	Amortized cost
Due from related parties	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Impairment

The Company recognizes an allowance using the expected credit loss ("ECL") model on financial assets classified as subsequently measured at amortized cost. The Company has elected to use the simplified approach for measuring ECL by using a lifetime expected loss allowance for all amounts recoverable. Under this model, impairment provisions are based on credit risk characteristics and days past due. When there is no reasonable expectation of collection, financial assets classified as subsequently measured at amortized cost are written off. Indications of credit risk arise based on failure to pay and other factors. Should objective events occur after an impairment loss is recognized, a reversal of impairment is recognized in the statement of comprehensive loss.

m) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

m) Impairment of property and equipment and intangible assets (excluding goodwill) (*Continued*)

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 and the impairment loss is recognized immediately in profit or loss for the period. 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 loss had previously been recognized. A reversal is recognized immediately in profit or loss for the period.

n) Income taxes

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

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

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

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

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

	Growing equipment	Computer equipment	Office equipment	Total
Cost				
As at June 1, 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
Additions during the year	146,763	-	-	146,763
Disposals during the year	(53,500)	-	-	(53,500)
Impairment	(82,563)	-	-	(82,563)
As at May 31, 2019	$ 10,700	$ 5,438	$ 5,863	$ 22,001
Accumulated depreciation				
As at June 1, 2017	$ -	$ 2,283	$ 3,456	$ 5,739
Depreciation for the year	-	543	722	1,265
As at May 31, 2018	-	2,826	4,178	7,004
Depreciation for the year	17,527	784	505	18,816
Depreciation for the year related to disposals	(6,019)	-	-	(6,019)
Depreciation related to impaired assets	(11,508)	-	-	(11,508)
As at May 31, 2019	$ -	$ 3,610	$ 4,683	$ 8,293
Net book value				
As at May 31, 2018	$ -	$ 2,612	$ 1,685	$ 4,297
As at May 31, 2019	$ 10,700	$ 1,828	$ 1,180	$ 13,708

During the current year, the Company sold four proto-type towers for gross proceeds of $52,000. In addition, during the year, the Company redesigned all of its rotating growing towers. As a result, the Company decided to write-off the remaining growing towers of the old design for a total impairment charge of $71,055. As a result of the decision to write-off these growing towers, the $50,000 deposit paid for the manufacturing of growing towers based on the old design specifications was also written off.

(Presented in Canadian Dollars)

5. INTANGIBLE ASSETS

	Patents	Patents Pending	Patent Development	Total
Cost				
As at June 1, 2017	$ 2,494,443	$ -	$ -	$ 2,494,443
Additions during the year	-	-	-	-
As at May 31, 2018	2,494,443	-	-	2,494,443
Additions during the year	-	44,000	109,004	153,004
Impairment	(1,494,442)	-	-	(1,494,442)
As at May 31, 2019	$ 1,000,001	$ 44,000	$ 109,004	$ 1,153,005
Accumulated amortization				
As at June 1, 2017	$ 269,696	$ -	$ -	$ 269,696
Amortization for the year	138,580	-	-	138,580
As at May 31, 2018	408,276	-	-	408,276
Amortization for the year	117,824	-	4,307	122,131
Amortization related to impaired assets	(361,748)	-	-	(361,748)
As at May 31, 2019	$ 164,352	$ -	$ 4,307	$ 168,659
Net book value				
As at May 31, 2018	2,086,167	-	-	2,086,167
As at May 31, 2019	$ 835,649	$ 44,000	$ 104,697	$ 984,346

During the year ended May 31, 2015, the Company acquired the ownership and commercialization rights of the farming technology “Method and Apparatus for Automated Horticulture and Agriculture” to grow market-ready strawberries using automated, software-driven, vertical farming technology from VDL and Aboriginal Import Export, companies controlled by the former CEO of the Company, by issuing 6,388,888 common shares of the Company valued at $1,494,443.

During the year ended May 31, 2016, the Company acquired the remaining patents regarding the proprietary vertical farming systems and license agreements with certain partners covering various provinces of Canada from VDL by issuing 10 million common shares of the Company valued at $1 million.

During the current year, the Company acquired the technology “Vertical Growing Tower for Automated Horticulture and Agriculture.” In August 2019, a patent application was filed with the Canadian Intellectual Property Office having a priority date claimed of August 21, 2018.

During the current year, the Company evaluated its portfolio of patents and decided to keep focus on the Company’s redesigned vertical rotating tower and the development of a new vertical tower. As a result, the Company wrote-down the value of its patent “Method and Apparatus for Automated Horticulture and Agriculture” to $1. The Company will continue to maintain the patent in the coming years.

See Note 8.

6. CAPITAL AND RESERVES

(i) Authorized:

At May 31, 2019 and 2018, 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:

a) The Company did not issue any common shares during the year ended May 31, 2019.

During the year ended May 31, 2018

b) 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.

c) 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 additional share issue costs of $1,512 in connection with the financing.

d) 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.

(Presented in Canadian Dollars)

6. CAPITAL AND RESERVES *(Continued)*

(iii) Warrants:

The continuity of warrants for the year ended May 31, 2019 is as follows:

Expiry date		Exercise price	May 31, 2018	Issued	Exercised	Expired	May 31, 2019
September 11, 2018		$0.15	14,300,000	-	-	(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			51,984,183	-	-	(21,782,636)	30,201,547
Weighted average exercise price			$0.24	$Nil	$Nil	$0.24	$0.23

** 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, 2019, the weighted average contractual life is 0.81 years (May 31, 2018 – 1.26 years).

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

(Presented in Canadian Dollars)

6. CAPITAL AND RESERVES *(Continued)*

(iv) Broker's Warrants:

The continuity of broker's warrants for the year ended May 31, 2019 is as follows:

Expiry date	Exercise price	May 31, 2018	Issued	Exercised	Expired	May 31, 2019
April 17, 2020	$0.20	70,747	-	-	-	70,747
Outstanding		70,747	-	-	-	70,747
Weighted average exercise price		$0.20	$Nil	$Nil	$Nil	$0.20

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, 2019, the weighted average contractual remaining life is 0.88 years (May 31, 2018 – 1.88 years).

The weighted average assumptions used to estimate the fair value of broker's warrants for the year ended May 31, 2019 and 2018 were:

	2019	2018
Risk-free interest rate	Nil	1.02%
Expected life	Nil	2 years
Expected volatility	Nil	140.94%
Expected dividend yield	Nil	Nil

(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 the exercise price 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, 2019.

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, 2019 is as follows:

Expiry date		Exercise price	May 31, 2018	Granted	Exercised	Expired/ cancelled	May 31, 2019
November 16, 2018		$ 0.10	600,000	-	-	(600,000)	-
February 23, 2019		$ 0.10	200,000	-	-	(200,000)	-
April 23, 2019		$ 0.33	200,000	-	-	(200,000)	-
April 24, 2019		$ 0.33	100,000	-	-	(100,000)	-
May 9, 2019		$ 0.49	250,000	-	-	(250,000)	-
May 27, 2019		$ 0.49	100,000	-	-	(100,000)	-
May 30, 2019		$ 0.80	100,000	-	-	(100,000)	-
June 2, 2019	**	$ 0.85	100,000	-	-	-	100,000
June 5, 2019	**	$ 1.03	100,000	-	-	-	100,000
June 8, 2019	**	$ 0.10	200,000	-	-	-	200,000
June 27, 2019	**	$ 0.67	200,000	-	-	-	200,000
August 11, 2019	**	$ 0.47	300,000	-	-	-	300,000
October 18, 2019		$ 0.165	800,000	-	-	-	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	1,250,000	-	-	-	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
July 16, 2021		$ 0.10	-	100,000	-	-	100,000
August 24, 2021		$ 0.115	-	600,000	-	-	600,000
September 27, 2021		$ 0.10	-	1,000,000	-	-	1,000,000
Options outstanding			9,900,000	1,700,000	-	(1,550,000)	10,050,000
Options exercisable			9,900,000	1,700,000	-	(1,550,000)	10,050,000
Weighted average exercise price			$0.20	$0.11	$Nil	$ 0.28	$0.18

** - Share options expired subsequent to May 31, 2019.

As of May 31, 2019, the weighted average contractual remaining life is 1.24 years (May 31, 2018 – 1.82 years).

The weighted average assumptions used to estimate the fair value of options for the years ended May 31, 2019 and 2018 were:

	2019	2018
Risk-free interest rate	1.76%	0.85%
Expected life	3 years	3 years
Expected volatility	142.76%	150.25%
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, 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

(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, 2019 was based on the loss attributable to common shareholders of $2,403,844 (2018 – $4,699,488) and a weighted average number of common shares outstanding of 152,908,108 (2018 – 129,110,980).

Diluted loss per share did not include the effect of 10,050,000 share purchase options, 70,747 broker's warrants and 30,201,547 warrants for the year ended May 31, 2019 (2018 – 9,900,000 share purchase options, 70,747 broker's warrants and 51,984,183 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:

	Years ended	
	May 31, 2019	May 31, 2018
Production and development costs - research	$ -	$ 36,059
Consulting fees	205,000	230,000
Managmenet fees	-	43,000
Professional fees	-	93,000
Wages and employee benefits	127,392	138,003
Share-based payments	124,480	368,810
Total	$ 456,872	$ 908,872

(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, 2019	May 31, 2018	As at May 31, 2019	As at May 31, 2018
Nicholas Brusatore Chief Executive Officer [a]	Share-based payment	$ -	$ 92,800	$ -	$ -
Aboriginal Import Export [a]	Cosnulting and management fees	$ 120,000	$ 120,000	$ 10,000	$ -
Randy Minhas, Chief Financial Officer [b]	Salaries and share-based payment	$ 162,242	$ 49,606	$ -	$ -
Brian Whitlock Director [c]	Share-based payment	$ 34,850	$ 92,800	$ -	$ -
Softail Enterprises Inc. [c]	Consulting fees	$ 85,000	$ 50,000	$ 42,554	$ -
Pacific Opportunity Capital Ltd. [d]	Professional fees - accounting services	$ -	$ 93,000	$ -	$ 31
Vertical Designs Ltd. [e]	Production and development costs - research	$ -	$ 36,059	$ -	$ -
Jarrett Malnarick Former Chief Executive Officer [f]	Salaries, severance pay and share-based payment	$ -	$ 240,727	$ -	$ -
Mark T. Brown Former Chief Financial Officer [d]	Share-based payment	$ -	$ 30,880	$ -	$ -
Sam Chaudhry Former Chief Financial Officer [g]	Management fees	$ -	$ 3,000	$ -	$ -
Chaudhry U Consulting Inc. [g]	Consulting fees	$ -	$ 100,000	$ -	$ -
Alan Boyco, David Mack and Rick Easthom [h]	Share-based payment	$ 54,780	$ -	$ -	$ -

(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. Mr. Brusatore resigned as Chief Executive Officer effective September 28, 2018. Mr. Brusatore remained on as a consultant until September 28, 2019.
(b) Randy Minhas was appointed as the Chief Financial Officer effective May 2, 2018 and named Chief Executive Officer on September 28, 2018.
(c) Softail Enterprises Inc. is controlled by a director of the Company.
(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) Vertical Designs Ltd. ("VDL") is a company controlled by Nicholas Brusatore along with Aboriginal Import Export.
(f) 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.
(g) 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.
(h) Alan Boyco, David Mack and Rick Easthom are directors of the Company. David Mack resigned as a director on September 28, 2018.

(Presented in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS *(Continued)*

(ii) Due from related parties

On May 2, 2018, the Company advanced $220,000 to VDL. This advance is secured by a promissory note and the assets of VDL, of which there are currently none, bears interest at 15% per annum commencing on May 2, 2018 and matured on December 31, 2018. As a result of the remeasurement change on transition to IFRS 9, the opening balance of this advance was reduced by $9,000 to $211,000. Interest of $27,304 was earned and not accrued during the current year and a payment of $14,536 was received. As at May 31, 2019, the Company wrote the balance down to $1 as collectability was considered doubtful. See Note 17.

On August 9, 2018, the Company advanced US$75,000 to VDL Colombia S.A.S., a company in which a director of the Company had an ownership interest. This advance is secured by a promissory note, the assets of the company, of which there are currently none, and the shares of the company pledged by shareholders of the company, bears interest at 15% per annum payable monthly commencing on August 31, 2018 and matured on August 31, 2018. Prior to May 31, 2019, the director divested his interest in VDL Colombia S.A.S.

As at May 31, 2019, there is US$44,462 outstanding. The loan is due on demand.

	Years ended	
	May 31, 2019	May 31, 2018
As at June 1, 2018	$ -	$ -
August 9, 2018, inception of the loan	99,233	-
Interest accured	8,948	-
Repayments	(50,000)	-
Provision for credit loss	(30,000)	-
Foreign exchange	1,963	-
Total	$ 30,144	$ -

(iii) Write-off of receivables

As at May 31, 2019, the Company wrote off receivables of $26,578 due from the Company's former CEO as collectability was considered doubtful.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

Supplemental disclosure:

	Years Ended	
	May 31, 2019	May 31, 2018
Deposits on asset purchases	$ -	$ 42,640
Deposits on asset purchases transferred to property and equipment	$ 110,700	$ -
Deposits on asset purchases transferred to intangible assets	$ 59,965	$ -
Patent costs financed by accounts payable	$ 40,770	$ -

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The fair values of the Company's cash, receivables (excluding GST/sales tax), due from related parties, and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments.

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

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.

As at May 31, 2019 and 2018, 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, 2019, the Company has financial assets of $114,703 to cover financial liabilities of $170,734. The ability of the Company to continue its activities relies upon the support of its suppliers and obtaining additional financing.

(ii) 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. The Company is exposed to credit risk on cash, receivables (excluding GST/sales taxes), deposits and due from related parties. Cash is held with a Canadian chartered bank and management considers this risk to be negligible. The amounts due from a related parties are unsecured. See Note 8.

The Company manages and controls credit risk by requiring deposits or prepayments on sales of vertical farming technology. As it relates to transactions with related parties, the Company adopted a new policy in fiscal 2019 that no funds would be advanced to related parties.

(iii) 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.

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).

(Presented in Canadian Dollars)

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 was included in receivables at May 31, 2018. Of this amount, $47,500 was recovered from four consultants during the current year. See Notes 16 and 18.

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:

	2019	2018
	27.00%	26.42%
Loss for the year before income taxes	$ (2,403,844)	$ (4,699,488)
Income tax benefit computed at statutory rates	(649,038)	(1,241,448)
Deductible and non-deductible amounts	331,445	148,765
Tax assets not recognized	317,593	1,092,683
Income tax expense	$ -	$ -

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

	2019	2018
Exploration and evaluation assets	$ 2,290,000	$ 2,290,000
Non-capital and net capital losses carried forward	19,418,000	16,870,000
Investment tax credits	6,000	6,000
Share issue costs	20,000	36,000
Property and equipment and intangible assets	582,000	456,000
	$ 22,316,000	$ 19,658,000

The Company has non-capital losses of approximately $19,296,000 (2018 - $16,843,000) 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 :

2026	$ 174,000
2027	404,000
2028	345,000
2029	137,000
2030	37,000
2031	63,000
2032	87,000
2033	205,000
2034	5,016,000
2035	3,764,000
2036	977,000
2037	1,376,000
2038	5,519,000
2039	1,192,000
	$ 19,296,000

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 technology industry. The Company operates in North America.

15. CONTRACTS WITH CUSTOMERS

On March 1, 2019, the Company entered into a technology distribution licensing agreement with a private American corporation (the "manufacturer") pursuant to which the Company was granted an exclusive, worldwide, non-transferrable, sublicenseable distribution license to sell, offer for sale, advertise, market and distribute all products manufactured by the manufacturer through a product of, or manufactured or constructed by, the Company that directly or indirectly includes, uses, represents, relies upon or otherwise embodies the manufacturer's products. For orders accepted by the manufacturer resulting predominantly from the Company's efforts, the Company will receive a base commission of 10% of the manufacturer's standard net pricing and 90% (50% for cannabis-specific growing lights) of any excess of the invoice price over the net pricing. The agreement has an initial term of four years. Upon expiry of the initial term, the agreement will automatically renew for successive five-year periods unless either party provides the other with intention of notice not to renew.

16. COMMITMENTS AND CONTINGENCIES

Temporary Order and Notice of Hearing

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, all of which was raised under the Consultant Exemption under National Instrument 45-106. A large portion of the funds was paid out in the form of consulting fees as the Company had 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.

16. COMMITMENTS AND CONTINGENCIES (*Continued*)

Temporary Order and Notice of Hearing (*Continued*)

On November 26, 2018, the British Columbia Securities Commission (the “BCSC”) issued a Temporary Order and Notice of Hearing (the “Order”) to respondents, including the Company, pursuant to Section 161 of the Securities Act (the “Act”) advising that a hearing would be held under section 161 (3) of the Act to determine whether to extend the temporary order under Section 161. The BCSC’s concern is that the named issuers paid the majority of the private placement proceeds received, including those noted above, back when little or no consulting services had been or were intended to be performed and that this conduct is abusive to the capital markets. Considering the length of time to hold a hearing under section 161 (a) of the Act, the BCSC issued the following temporary orders under section 161 (1)(c): (i) that the exemption under section 2.24 of National Instrument 45-106 does not apply to the named issuers for a distribution to a consultant; and (ii) it does not apply to any issuer listed on the Canadian Securities Exchange for distribution to named respondents.

At a hearing held on December 7, 2018, the executive director asked the BCSC to extend the temporary orders, which were to expire on December 11, 2018, until a hearing was held and a decision rendered. The temporary orders were extended at the completion of the hearing until a decision was issued on this application.

On January 15, 2019, the BCSC issued its decision with respect to the temporary orders. With respect to the Company, it found that the executive director had not provided *prima facie* evidence of having engaged in conduct contrary to the public interest and, accordingly, the temporary orders were not extended. It was also concluded that it is in the public interest to not proceed with the hearing until the BCSC investigation has concluded. See Notes 11 and 18.

University of the Fraser Valley Sponsorship

On February 15, 2019, the Company, as sponsor, entered into a service agreement with the University of the Fraser Valley for the purpose of forming a two-year research partnership designed to test the output and production of organic and conventional strawberries using the Company’s vertical cultivation system. The project budget, funded by the Company, is approximately $33,000 for the first year and $32,000 for the second year.

Letter of Intent

On April 17, 2019, the Company entered into a binding letter of intent with a private, British Columbia corporation (the "Vendor"), in the business of precision metal fabrication, machining and finishing, for the purpose of purchasing, either directly or indirectly, specified assets of the vendor's business. Pursuant to the letter of intent:

- terms of the agreements between the parties will be contained in a definitive agreement (the "DA"), with the DA being entered into on or before completion of the 45 day due diligence period, closing occurring immediately upon execution of the DA and the purchase offer including a further 30 day due diligence period;
- the Company will acquire the specified machine equipment, all patents, office equipment, computer equipment and software programs currently owned by the vendor, all raw materials and work-in-progress related to acquired vendor contracts and agreements and all accounts payable related to the acquired inventory;
- all manufacturing clients and related vendor contracts and agreements and the premises lease agreement will be assigned to the Company;
- the purchase price will be up to $2,900,000, with up to $1,000,000 being payable in full by certified cheque, wire transfer and/or a promissory note at the Company's election within three business days of the closing date and up to $1,900,000 being payable in full through the issuance of up to 38 million common shares of the Company at a deemed price of $0.05 per share;
- closing is subject to the usual conditions including all requisite government, regulatory, board of director and shareholder approvals and
- the letter of intent terminates automatically upon execution of the DA and may be terminated by mutual consent, by written notice from the Company if unsatisfied with its due diligence investigation or by the vendor if a DA hasn't been entered into on or before the expiration of the due diligence period.

(Presented in Canadian Dollars)

17. TRANSITION TO IFRS 9

The following table shows the pre-transition IAS 39 and post-transition IFRS 9 classification and measurement categories and reconciles the IAS 39 and IFRS 9 carrying amounts for due from related party as at June 1, 2018 as a result of adopting IFRS 9:

	IAS 39 Measurement Category	IFRS 9 Measurement Category	IAS 39 Carrying Value As At May 31, 2018	Remeasurement	IFRS 9 Carrying Value As At June 1, 2018
Financial assets					
Due from related party	Loans and receivables	Amortized cost	$ 220,000	$ (9,000)	$ 211,000
Total impact of IFRS 9 adoption (net of tax)			$ 220,000	$ (9,000)	$ 211,000
Total after-tax deficit			$ (28,964,068)	$ (9,000)	$ (28,973,068)
Total after-tax shareholders' equity			$ 3,241,963	$ (9,000)	$ 3,232,963

The reclassification on transition did not result in any remeasurement changes for any other financial assets and liabilities.

18. EVENTS AFTER THE REPORTING PERIOD

On June 3, 2019, the Company entered into a technology license agreement with a private Ontario corporation (the “licensee”) pursuant to which the Company granted the licensee a limited, exclusive (throughout the province of Ontario and excluding the Company’s use (as defined)), non-transferable, sublicensable, royalty-bearing license to use, license, sell, offer for sale, advertise, market and distribute the Company’s vertical growing tower for horticulture and agriculture for an initial term of 10 years. Upon expiry of the initial term, the agreement will automatically renew for successive one-year periods unless either party provides the other with notice of intention not to renew. The licensee has the first right of refusal for any new licenses the Company wishes to issue within Canada, India and England, with each new license being pursuant to an agreement based on terms determined by the Company.

The Company was served with a notice of civil claim (the “Claim”) filed on July 11, 2019 with the Supreme Court of British Columbia by Michael Tietz and Duane Lowen under the Class Proceedings Act, RSBC 1996, c 50, naming the Company as a defendant along with 86 additional defendants. The Claim relates to allegations of conspiracy, secondary market misrepresentations and fraudulent/negligent misrepresentations arising out of certain agreements entered into with consultants of the Company. See Notes 11 and 16.

On September 23, 2019, the Company entered into a non-brokered financing of an unsecured convertible debenture (the “Debenture”) in the principal amount of $500,000 (the “Principal Amount”). The Debenture matures twelve months from the date of issuance and bears interest at 15% per annum, accrued and paid annually, with such interest being calculated on the basis of 30 days per month and 360 days per year. The Principal Amount and any accrued and unpaid interest is convertible at the election of the holder into common shares of the Company, in whole or in part, at any time following the issue date but on or before the maturity date at a conversion price of the greater of $0.05 per share or the 20 day volume weighted average trading price of the shares, or such other minimum as required by the policies of the Canadian Securities Exchange.

18. EVENTS AFTER THE REPORTING PERIOD (*Continued*)

The Company may elect to force settlement of the Principal Amount together with any interest accrued but unpaid on the then outstanding Debenture if the Company completes an equity financing of common shares or units consisting of common shares and a convertible security which converts into common shares at the price of the securities issued pursuant to an equity financing, on not less than 5 days' notice. The Company may also from time to time prepay all or part of the Principal Amount plus accrued and unpaid interest without penalty or bonus.