**AFFINOR GROWERS INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE YEAR ENDED MAY 31, 2019**

## 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 October 2, 2019. 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, 2019 and 2018 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, 2019. 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.

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 2019, the Company worked diligently to expand its network of strategic partners across Canada and the United States. 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 2020 will be on working with our strategic partners to commercialize the vertical farming towers as well as the new Hydro tower. 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 systems.

## 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).

During the year, the Company went through significant changes, not only from a leadership perspective but also changed its overall strategy. The Company went back to the basics and re-evaluated all of its technology.

The result of this work was three new tower designs. The Company has a newly designed vertical farming tower for soiled-based growing, a new hydroponic version of the vertical farming tower and a newly designed vertical farming tower that is a hybrid of hydroponic and aeroponic growing.

The new designs allow the Company to increase its footprint in the vertical farming space and gives the Company a product line that, we feel, can compete with other hydroponic and aeroponic growing systems on the market. In addition, the new designs also open up the home and light-duty commercial markets for the Company, markets in which we see great potential for growth.

The Company also focused its energies on working with strategic partners to enhance the Company’s products but also develop new products.

In February 2019, the Company announced that it had reached a four-year, worldwide exclusive, distribution agreement with Fundamental Lighting. Fundamental Lighting is a corporation out of Monroe, Washington and they have developed high-efficiency, white LED lights and coloured LED growing lights to be used for indoor growing operations, including greenhouses. The Company will have the exclusive right to distribute the lights for Agricultural projects and earn a commission on the sale of the lights.
In addition, the Company is helping Fundamental Lighting develop cannabis specific growing lights (“Cannabis Lights”) to compete with the widely used high-pressure sodium lights. The design work and the research for the Cannabis Lights has been completed and the process is moving to the prototype phase. The cannabis lights were completed in September 2019 and currently undergoing quality control tests. The Company hopes to have an agreement in place with a licensed producer before the end of calendar year 2019 to test the cannabis lights in side-by-side study with the conventional high-pressure sodium lights.

Also, in February, the Company entered into a two-year agreement with the University of Fraser Valley to complete strawberry grow trials in the newly designed soil-based, vertical growing tower with the use of the LED lights from Fundamental Lighting.

The Company installed a total eight towers at the two Surrey Biopod greenhouses, replacing the two larger, first generation, towers from several years ago. The Surrey Biopod facility is a partnership between the University of the Fraser Valley, the John Volken Academy ("Volken Academy"), and the City of Surrey. The Volken Academy provides life and job skills to addicted youth, and the Biopods offer Volken students the opportunity to learn growing and research skills in an urban greenhouse environment.

Finally, and most importantly, the Company entered into a letter of intent to acquire manufacturing assets that make up the Cobotix Manufacturing Inc.'s ("Cobotix") business, undertakings and goodwill in Port Coquitlam (the "Acquisition"). The Company and Cobotix will have thirty (30) days to complete the due diligence process and determine a closing date for the Acquisition. In consideration for the assets, the Company will pay to Cobotix up to $2,900,000, subject to a valuation of the assets (the "Consideration"). The Consideration will be satisfied by certain cash payments and the issuance of up to 38,000,000 common shares (the "Common Shares") in the capital of the Company at a deemed price of $0.05 per Common Share. Upon completion of the Acquisition, it is anticipated that Ron Adolf will be appointed to the board of directors and become an officer of the Company. No additional changes will be made to the Company's board of directors or management based on the Acquisition.

The Acquisition is a strategic move to try and vertically integrate the Company's intellectual property with the design and manufacturing to not only bring the overall cost of the towers down, but also gain access to a design and manufacturing team that can continue develop new technologies in the vertical farming space. The Company continues to discuss the Acquisition with Cobotix.

## 3. 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.

## 4. Impairment of Intangible Assets

The Company completed an impairment analysis as at May 31, 2019 and concluded that one of its patents was impaired and wrote-down the balance to $Nil for that patent. The patent related to the Company's stacked shelving units. The Company made a strategic decision to focus on the Company's vertical rotating towers.

## 5. Material Financial and Operations Information

### 5(a) Selected Annual Financial Information

**Selected Annual Information**

| | Year Ended May 31, 2019 | Year Ended May 31, 2018 | Year Ended May 31, 2017 |
|---|---|---|---|
| Total revenues | $ 3,000 | $ - | $ - |
| Loss before other items | (913,437) | (4,707,481) | (1,917,140) |
| Loss on investments | - | - | (31,551) |
| Impairment of property and equipment, receivables, desposits and loans | (1,490,407) | - | - |
| Loss for the year | (2,403,844) | (4,699,488) | (1,717,118) |
| Loss per share | (0.02) | (0.04) | (0.01) |
| Total assets | 1,185,263 | 3,334,322 | 2,776,894 |
| Total long-term financial liabilities | - | - | - |
| Cash dividends declared – per share | N/A | N/A | N/A |

### 5(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, 2019 | February 28, 2019 | November 30, 2018 | August 31, 2018 |
| Total revenues | $ 3,000 | $ - | $ - | $ - |
| Net loss | $ (1,729,596) | $ (148,130) | $ (219,696) | $ (306,422) |
| Loss per share | $ (0.01) | $ - | $ - | $ - |

| | 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) | $ - | $ - | $ - |

**5(c) Review of Operations and Financial Results**

For three months ended May 31, 2019 and three months ended May 31, 2018

During the three months ended May 31, 2019, the Company reported a loss of $1,729,596 ($0.01 loss per share) (2018 – $4,058,574 ($0.03 loss per share)).

During the three months ended May 31, 2019, the Company reported production and development costs of $23,834 (2018 - $152,821). The decrease was mainly attributed to the Company not doing any tower projects in Q4 2019 as compared with Q4 2018.

Excluding the non-cash amortization of $322 (2018 – $329) and share-based payment of $Nil (2018 - $283,900), the Company's general and administrative expenses amounted to $108,912 during the three months ended May 31, 2019 (2018 – $3,625,128), a decrease of $3,516,216. The main reasons for the decrease was the significant decrease in consulting fees from $3,501,358 during the three months ended May 31, 2018 as compared with $30,000 during the same period in 2019. In addition, the Company did not grant any share options during Q4 2019 as compared with Q4 2018 resulting in share-based compensation of $Nil during Q4 2019 as compared with $283,890 during the same period in 2018. Finally, during the three months ended May 31, 2019, the Company incurred wages, employee benefits and training costs of $64,626 as compared with $5,356 during the same period in 2018. The change was the result of having a full-time, salaried CEO.

The other major item for the three months ended May 31, 2019, compared with May 31, 2018 was:

- Impairment of intangible assets of $1,132,694 (2018 - $Nil). The impairment charge was the result of the Company making a strategic decision to focus its energies on commercializing the rotating tower. As a result, the Company wrote-down the value of the patent relating to the stacked shelving system. The Company will continue to maintain its patent should it decide we will further develop that patent;
- Impairment of property and equipment $71,055 (2018 – $Nil). As the Company moved to redesign its vertical rotating towers, it determined the old design was obsolete and wrote down all amounts relating to the old version of the towers; and
- Write-off of due from related party $226,463 (2018 - $Nil) relating to balances owed by a company controlled by the previous CEO. The amounts were written down for accounting purposes, however, the Company is continuing to work with the previous CEO to settle the debt;
- Write-off of deposits on asset purchases $50,000 (2018 - $Nil). This relates to deposits made for towers of the old design.

For year ended May 31, 2019 and year ended May 31, 2018

During the year ended May 31, 2019, the Company reported a loss of $2,403,844 ($0.02 loss per share) (2018 – $4,699,488 ($0.04 loss per share)).

During the year ended May 31, 2019, the Company reported production and development costs of $226,145 (2018 - $268,980).

Excluding the non-cash amortization of $1,289 (2018 – $1,265) and share-based payment of $131,860 (2018 - $432,260), the Company's general and administrative expenses amounted to $557,143 during the year ended May 31, 2018 (2018 – $3,866,973), a decrease of $3,309,830. The main reasons for the decrease was the significant decrease in consulting fees from $3,601,358 during the year ended May 31, 2018 as compared with $205,000 during the same period in 2019. In addition, the Company issued a lower number of share options during fiscal 2019 as compared with fiscal 2018 resulting in share-based compensation of $131,860 during fiscal 2019 as compared with $432,260 during the same period in 2018.

The other major items for the year ended May 31, 2019, compared with May 31, 2018 were:

- Impairment of intangible assets of $1,132,694 (2018 - $Nil). The impairment charge was the result of the Company making a strategic decision to focus its energies on commercializing the rotating tower. As a result, the Company wrote-down the value of the patent relating to the stacked shelving system. The Company will continue to maintain its patent should it decide we will further develop that patent;
- Impairment of property and equipment $71,055 (2018 – $Nil). As the Company moved to redesign its vertical rotating towers, it determined the old design was obsolete and wrote down all amounts relating to the old version of the towers; and
- Write-off of due from related party $226,463 (2018 - $Nil) relating to balances owed by a company controlled by the previous CEO. The amounts were written down for accounting purposes, however, the Company is continuing to work with the previous CEO to settle the debt;
- Write-off of deposits on asset purchases $50,000 (2018 - $Nil). This relates to deposits made for towers of the old design.

**5(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.

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, 2019, the Company's share capital was $25,315,866 (May 31, 2018 - $25,315,866) representing 152,908,108 common shares (May 31, 2018 – 152,908,108 common shares).

Stock option transactions and the number of stock options for the year ended May 31, 2019 are summarized 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.

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 | - | - | (635,000.00) | - |
| April 7, 2019 | | $0.40 | 3,045,636 | - | - | (3,045,636.00) | - |
| April 11, 2019 | | $0.40 | 1,080,000 | - | - | (1,080,000.00) | - |
| April 14, 2019 | | $0.40 | 564,000 | - | - | (564,000.00) | - |
| April 16, 2019 | | $0.40 | 178,000 | - | - | (178,000.00) | - |
| April 22, 2019 | | $0.40 | 360,000 | - | - | (360,000.00) | - |
| April 23, 2019 | | $0.40 | 1,620,000 | - | - | (1,620,000.00) | - |
| 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 | $0.15 | $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.

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 |

As of the date of this MD&A, there were 152,908,108 common shares issued and outstanding and 193,230,402 common shares outstanding on a diluted basis.

**5(f) Off-Balance Sheet Arrangements**

None.

**5(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:

| | Years ended May 31, 2019 | Years ended May 31, 2018 |
|---|---|---|
| Production and development costs - research | $ - | $ 36,059 |
| Management fees | 120,000 | 230,000 |
| Consulting fees | 85,000 | 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 |

| | | 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.

**(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.

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.

**5(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, 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 working capital deficiency of $27,404 (excluding deposits on asset purchases and customer deposit). 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. The Company is exposed to credit risk on cash, receivables (excluding GST/sales taxes), deposits and due from related party. Cash is held with a Canadian chartered bank and management considers this risk to be negligible. The amount due from a related party is, effectively, unsecured.

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.

(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, 2019 and 2018.

| **As at May 31, 2019** | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Cash | $ 63,785 | $ - | $ - | $ 63,785 |
| | $ 63,785 | $ - | $ - | $ 63,785 |

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

**5(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.

## 6. Subsequent Events

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.

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.

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.

## 7. Policies and Controls

### 7(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.

Critical judgments

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

- 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.

- Fair value and useful life of intangible assets - The value of the intangible assets was determined based on the fair value of the consideration exchanged, which was based on the market price of the shares issued at the dates of issuance. Management judgementally used the maximum legal life of the patent as the useful life of the intangible assets for purposes of amortization.

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

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.

**7(b) New Accounting Pronouncements and Interpretations**

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

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 the statement of loss and comprehensive loss, 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.

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.

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.

### 7(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.

## 8. Information on the Board of Directors and Management

**Directors:**
*Brian Whitlock*
*Alan Boyco*
*Randy Minhas*
*Rick Easthom*

**Audit Committee members:**
*Alan Boyco*
*Brian Whitlock*
*Rick Easthom*

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