



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

NOVEMBER 30, 2019

(UNAUDITED)

AFFINOR GROWERS INC.

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NOTICE OF NO AUDITOR REVIEW OF

INTERIM FINANCIAL STATEMENTS

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

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

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

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

	Note	November 30, 2019 (Unaudited)	May 31, 2019 (Audited)
Assets			
Current assets			
Cash		\$ 151,300	\$ 63,785
Receivables		14,812	20,773
Prepaid expenses and deposits		38,917	28,627
Deposits on asset purchases	4	57,373	43,879
Due from related parties	8	33,614	30,145
		<u>296,016</u>	<u>187,209</u>
Non-current assets			
Property and equipment	4	21,218	13,708
Intangible assets	5	958,693	984,346
		<u>979,911</u>	<u>998,054</u>
Total assets		\$ 1,275,927	\$ 1,185,263
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 145,302	\$ 170,734
Interest payable	12	\$ 6,250	\$ -
Convertible debenture payable	12	\$ 394,834	\$ -
Derivative liability - Convertible debenture	12	\$ 118,256	\$ -
Customer deposit		-	53,550
		<u>664,642</u>	<u>224,284</u>
Equity			
Share capital	6	25,315,865	25,315,866
Reserves	6	7,022,026	7,022,025
Deficit		(31,726,606)	(31,376,912)
		<u>611,285</u>	<u>960,979</u>
Total equity and liabilities		\$ 1,275,927	\$ 1,185,263

Commitments and contingencies (Note 14)
Subsequent Events (Note 15)

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on January 29, 2020. They are signed on the Company's behalf by:

/s/ Brian Whitlock
Director

/s/ Alan Boyco
Director

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

	Note	Three months ended		Six months ended	
		November 30, 2019	November 30, 2018	November, 2019	November, 2018
Revenue					
Tower sales		\$ -	\$ -	\$ 51,150	\$ -
Licensing fees		-	-	2,400	-
		-	-	53,550	-
Production costs					
Vertical Growing Tower		\$ -	\$ -		
Cost of goods sold		-	-	(41,088)	-
Gross revenue		-	-	12,462	-
Expenses					
Amortization - patents	5	15,404	34,889	30,808	69,534
Business development		1,326	-	21,326	-
Consulting fees	8, 10	16,030	30,000	46,030	60,000
Depreciation - growing towers	4	1,337	10,611	2,675	13,163
Depreciation - furniture and equipment	4	226	323	451	645
Management fees	8	15,000	15,000	30,000	45,000
Other operating expenses		5,126	9,013	13,250	12,520
Professional fees	8	52,245	23,328	60,488	80,520
Registration and information to shareholders		14,825	5,493	21,753	18,424
Rent		1,252	-	7,170	-
Research and development		8,284	820	8,284	820
Share-based payments	6, 8	-	69,600	-	131,860
Travel		22,241	1,035	28,377	71,016
Wages, employee benefits and training	8	37,710	32,139	76,708	48,187
		(191,006)	(232,251)	(347,320)	(551,689)
Operating loss		(191,006)	(232,251)	(334,858)	(551,689)
Other items					
Change in fair value of the derivative liability	12	(5,405)	-	(5,405)	-
Interest expense	12	(6,250)	-	(6,250)	-
Accretion expense	12	(7,685)	-	(7,685)	-
Other		2,282	12,555	4,504	25,571
		(17,058)	(219,696)	(14,836)	25,571
Net and comprehensive loss for the year		\$ (208,064)	\$ (219,696)	\$ (349,694)	\$ (526,118)
Basic and diluted loss per share	7	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of shares		152,908,108	152,908,108	152,908,108	152,908,108

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

	Note	Share capital		Reserves				Total equity
		Number of shares	Amount	Warrants	Broker's warrants	Equity-settled employee benefits	Deficit	
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		-	-	-	-	-	(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		-	-	-	-	-	(526,118)	(526,118)
Balance, August 31, 2018		152,908,108	25,315,866	1,364,161	122,212	5,535,652	(29,499,186)	2,838,705
Share-based payment		-	-	-	-	-	-	-
Net loss		-	-	-	-	-	(1,877,726)	(1,877,726)
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
Net Loss		-	-	-	-	-	(349,694)	(349,694)
Balance as at August 31, 2019		152,908,108	\$ 25,315,866	\$ 1,364,161	\$ 122,212	\$ 5,535,652	\$ (31,726,606)	\$ 611,285

See notes to the condensed consolidated interim financial statements

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

	Six months ended	
	November 30, 2019	November 30, 2018
Cash flows from operating activities		
Net loss for the year	\$ (349,694)	\$ (344,838)
Items not involving cash:		
Accretion expense	7,685	-
Amortization - intangible assets	30,808	69,534
Change in fair value of the derivative liability	5,405	-
Depreciation - fixed assets	451	645
Depreciation - growing towers	2,675	-
Foreign exchange on due from related parties	1,035	-
Interest accrued on due from related parties	(4,504)	-
Interest expense	6,250	-
Share-based payment	-	62,260
Changes in non-cash working capital items:		
Receivables	5,961	(11,699)
Prepaid expenses and deposits	(10,290)	(10,331)
Accounts payable and accrued liabilities	(25,432)	40,386
Customer deposit	(53,550)	-
Net cash (used in) operating activities	<u>(383,200)</u>	<u>(194,043)</u>
Cash flows from investing activities		
Deposits on asset purchases	(13,494)	(42,640)
Purchase of fixed assets	(10,636)	-
Patent development costs	(5,155)	(99,233)
Net cash (used in) investing activities	<u>(29,285)</u>	<u>(141,873)</u>
Cash flows from financing activities		
Proceeds from convertible debenture	500,000	-
Net cash provided by financing activities	<u>500,000</u>	<u>-</u>
Change in cash for the year	87,515	(335,916)
Cash, beginning of the year	63,785	627,948
Cash, end of the year	<u>\$ 151,300</u>	<u>\$ 292,032</u>

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 condensed consolidated interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. There are material uncertainties that cast significant doubt about the appropriateness of the going concern assumption.

The Company is subject to a number of risks and uncertainties associated with the successful development of its major crop products, such as strawberries and romaine lettuce, and with the financing requirements of its operations. The attainment of profitable operations is dependent upon future events, commercialization of its products and technology and obtaining adequate financing to complete its commercialization plans.

To date, the Company has generated limited revenue and significant losses, has not generated positive cash flows from operations and as at November 30, 2019 has an accumulated deficit of \$31,726,606 and a working capital deficit of \$425,999 (excluding deposit on equipment purchase). It has relied upon financing primarily from private equity placements and exercise of options and warrants to fund its operations and construction of its facility. The Company expects to obtain funding through additional equity offerings and licensing of its technology until it achieves positive cash flows from operations.

The Company's business plan is dependent on raising additional funds to finance its operations within and beyond the next 12 months. While the Company has managed to fund its operations in the past through equity financing, raising additional funds is dependent on a number of factors outside the Company's control, and as such there is no guarantee that it will be able to obtain additional financing in the future. If the Company is unable to obtain sufficient additional financing, it may have to delay, scale back or eliminate plans for its present or future facilities and curtail operations, which could harm the business, financial condition and results of operations. This could occur in the near term. Until such financing is secured and profitable operations are reached, there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and condensed consolidated interim statement on financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS34") using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

2. BASIS OF PREPARATION *(Continued)*

b) Basis of preparation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except certain financial instruments which are measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

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

c) New accounting standards

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 adopted the new standard beginning June 1, 2019. The Company had no assets or liabilities that would fall under this standard and as such, the adoption of the new standard had no impact on the Company’s financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB on a basis consistent with those followed in the Company’s most recent annual financial statement for the year ended May 31, 2019.

These unaudited condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended May 31, 2019. In the opinion of management, all adjustments considered necessary for fair presentation of the Company’s financial position, results of operations and cash flows have been included. Operating results for the six-month period ended November 30, 2019 are not necessarily indicative of the results that may be expected for the year ending May 31, 2020.

AFFINOR GROWERS INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2019 AND 2018
(Presented in Canadian Dollars)

4. PROPERTY, PLANT AND EQUIPMENT

	Growing equipment	Computer equipment	Office equipment	Total
Cost				
As at May 31, 2018	\$ -	\$ 5,438	\$ 5,863	\$ 11,301
Additions during the period	146,763	-	-	146,763
Disposals during the period	(53,500)	-	-	(53,500)
Impairment	(82,563)	-	-	(82,563)
As at May 31, 2019	10,700	5,438	5,863	22,001
Additions during the period	10,636	-	-	10,636
As at November 30, 2019	\$ 21,336	\$ 5,438	\$ 5,863	\$ 32,637
Accumulated depreciation				
As at May 31, 2018	\$ -	\$ 2,826	\$ 4,178	\$ 7,004
Depreciation for the period	17,527	784	505	18,816
Depreciation for the period 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
Depreciation for the period	2,675	274	177	3,126
As at November 30, 2019	\$ 2,675	\$ 3,884	\$ 4,860	\$ 11,419
Net book value				
As at May 31, 2019	\$ 10,700	\$ 1,828	\$ 1,180	\$ 13,708
As at November 30, 2019	\$ 18,661	\$ 1,554	\$ 1,003	\$ 21,218

5. INTANGIBLE ASSETS

	Patents	Patents Pending	Patent Development	Total
Cost				
As at May 31, 2018	\$ 2,494,443	\$ -	\$ -	\$ 2,494,443
Additions during the period	-	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
Additions during the period	-	-	5,155	5,155
As at November 30, 2019	\$ 1,000,001	\$ 44,000	\$ 114,159	\$ 1,158,160
Accumulated amortization				
As at May 31, 2018	\$ 408,276	\$ -	\$ -	\$ 408,276
Amortization for the period	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
Amortization for the period	27,778	-	3,030	30,808
As at November 30, 2019	\$ 192,130	\$ -	\$ 7,337	\$ 199,467
Net book value				
As at May 31, 2019	835,649	44,000	104,697	984,346
As at November 30, 2019	\$ 807,871	\$ 44,000	\$ 106,822	\$ 958,693

AFFINOR GROWERS INC.
 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE SIX MONTHS ENDED NOVEMBER 30, 2019 AND 2018
 (Presented in Canadian Dollars)

6. CAPITAL AND RESERVES

(i) Authorized:

At November 30, 2019, 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:

The Company did not issue any common shares during the six months ended November 30, 2019 or during the year ended May 31, 2019.

(iii) Warrants:

The continuity of warrants for the six months ended November 30 is as follows:

Expiry date	Exercise price	May 31, 2019	Issued	Exercised	Expired	November 30, 2019
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		30,201,547	-	-	-	30,201,547
Weighted average exercise price		\$0.24	\$ -	\$ -	\$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 November 30, 2019, the weighted average contractual life is 0.31 years (May 31, 2019 – 0.81 years).

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.

6. CAPITAL AND RESERVES (Continued)

(iv) Broker's Warrants:

The continuity of broker's warrants for the six months ended November 30, 2019 is as follows:

Expiry date	Exercise price	May 31, 2019	Issued	Exercised	Expired	November 30, 2019
April 17, 2020	\$0.20	70,747	-	-	-	70,747
Outstanding		70,747	-	-	-	70,747
Weighted average exercise price		\$0.20	\$ -	\$ -	\$ -	\$0.20

As of November 30, 2019, the weighted average contractual remaining life is 0.38 years (May 31, 2019 – 0.88 years).

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

(v) Share Purchase Options Compensation Plan:

The Company maintains a share-based payment plan (the "Plan") whereby the Board of Directors may from time to time grant to directors, officers, employees and consultants, options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board but cannot be lower than the market price. The Plan provides that the maximum number of common shares in the capital of the Company which may be reserved for issuance under the Plan may not exceed 10 % of the publicly traded shares issued and outstanding on the grant date of the options (on a non-diluted basis), this number being equal to 15,290,811 shares on November 30, 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.

AFFINOR GROWERS INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2019 AND 2018
(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 six months ended November 30, 2019 is as follows:

Expiry date	Exercise price	May 31, 2019	Granted	Exercised	Expired/ cancelled	November 30, 2019
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		10,050,000	-	-	(4,450,000)	5,600,000
Options exercisable		10,050,000	-	-	(4,450,000)	5,600,000
Weighted average exercise price		\$0.18	\$ -	\$ -	\$ 0.24	\$0.13

As of November 30, 2019, the weighted average contractual remaining life is 1.43 years (May 31, 2019 – 1.24 years).

The weighted average assumptions used to estimate the fair value of options for the six months ended November 30, 2019 and 2018 were:

	Six months ended November 30, 2019	Six months ended November 30, 2018
Risk-free interest rate	Nil	1.66%
Expected life	Nil	3 years
Expected volatility	Nil	143.08%
Expected dividend yield	Nil	Nil

AFFINOR GROWERS INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2019 AND 2018
(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

7. LOSS PER SHARE

Basic and diluted loss per share

Diluted loss per share did not include the effect of 5,600,000 share purchase options, 70,747 broker's warrants and 30,201,547 warrants for the six months ended November 30, 2019 (November 30, 2018 – 11,000,000 share purchase options, 70,747 broker's warrants and 37,684,183 warrants) as they are anti-dilutive.

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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:

	Six Months Ended	
	November 30, 2019	November 30, 2018
Consulting fees	\$ 40,000	\$ 60,000
Management fees	30,000	79,800
Wages and employee benefits	75,000	82,987
Share-based payments	-	124,380
Total	\$ 145,000	\$ 347,167

	Services	Transactions for the six months ended		Balance due	
		November 30, 2019	November 30, 2018	As at November 30, 2019	As at November 30, 2018
Aboriginal Import Export ^(a)	Consulting and management fees	\$ 40,000	\$ 60,000	\$ 40,000	\$ -
Randy Minhas, Chief Financial Officer ^(b)	Salaries and share-based payment	\$ 75,000	\$ 82,987	\$ -	\$ -
Softail Enterprises Inc. ^(c)	Consulting fees	\$ 30,000	\$ 79,800	\$ 10,500	\$ -
Pacific Opportunity Capital Ltd. ^(d)	Professional fees - accounting services	\$ -	\$ 40,478	\$ -	\$ -

- (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. The balance owing as of August 31, 2019 includes management fees and reimbursable expenses incurred by the director.
- (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.

8. RELATED PARTY TRANSACTIONS *(Continued)*

(ii) Due from related parties

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 November 30, 2019, there is US\$47,869 outstanding. The loan is due on demand.

	As at	
	November 30, 2019	May 31, 2019
Balance, beginning of period	\$ 30,145	\$ -
August 9, 2018, inception of the loan	-	99,233
Interest accrued	4,504	8,948
Repayments	-	(50,000)
Provision for credit loss	-	(30,000)
Foreign exchange	(1,035)	1,963
Total	\$ 33,614	\$ 30,144

9. 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.

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 November 30, 2019 and May 31, 2019, all of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

As at November 30, the Company has financial assets of \$166,112 to cover financial liabilities of \$651,552, inclusive of the \$500,000 face value of the convertible debenture. The ability of the Company to continue its activities relies upon the support of its suppliers and obtaining additional financing.

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

(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 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.

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.

(ii) 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).

10. CONSULTING SERVICES

On March 1, 2018, the Company entered into 14 three-month contracts for consulting services totalling \$3,500,000 for accounting, corporate and administrative services, internet marketing, investor relations, merger and acquisition consulting and cannabis consulting. \$175,000 in GST paid on these consulting fees is included in receivables at August 31, 2018 (May 31, 2018 - \$175,000). Subsequent to August 31, 2018, \$160,000 was received.

11. MANAGEMENT OF CAPITAL RISK

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

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

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

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

12. CONVERTIBLE DEBENTURE

On November 1, 2019, the Company entered into an agreement to issue convertible debentures (the "Debentures") for aggregate proceeds of \$500,000.

The Debentures will mature on November 1, 2020 (the "Maturity Date") that is twelve months from the date of issuance (the "Issue Date") and bear interest at a rate of 15% per annum, accrued and paid annually, with such interest rate being calculated on the basis of 30 days per month and 360 days per year.

The Principal Amount and any accrued and unpaid interest on the Debentures may be convertible at the election of the holder into common shares in the capital of the Company (the "Shares"), 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 "Conversion Price").

Further, the Company may elect to force settlement of the Principal Amount together with any interest accrued but unpaid on the Debentures if the Company completes an equity financing of common shares or units 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.

The conversion feature of the Debentures meet the definition of a derivative liability instrument because the exercise price if the conversion feature is not fixed and the number of potential common shares are not a fixed. Therefore, the conversion feature does not meet the criteria as outlined in IAS 32.

As a result, the conversion feature of the Debentures was required to be recorded as a derivative liability recorded at fair value, with the changes in fair value each period being recorded through profit and loss.

12. CONVERTIBLE DEBENTURE *(Continued)*

In accordance with IAS 32, for convertible notes with embedded derivative liabilities, the embedded derivative liability is determined first and the residual value is assigned to the debt host liability.

On inception of the debentures, the fair value of the derivative liability related to the conversion feature was \$112,851 and as of November 30, 2019, was \$118,256. The derivative liability was calculated using an acceptable option pricing valuation model with the following assumptions:

	November 30, 2019
Risk-free interest rate	1.58% - 1.61%
Expected life (years)	0.92 - 1.00
Expected volatility	162.59% - 175.61%
Expected dividend yield	Nil

The changes in the derivative liability related to the conversion feature are as follows :

	November 30, 2019
Balance, beginning of period	\$ -
Fair value at inception	112,851
Change in fair value of derivative liability	5,405
Balance, end of period	\$ 118,256

With the conversion feature initially being valued at \$112,851, the resulting residual value allocated to the host debentures was \$387,149, being the difference between the face value of the convertible debentures and the fair value of the conversion feature derivative liability.

The change in the convertible debentures is as follows:

	November 30, 2019
Balance, beginning of period	\$ -
Discounted convertible debentures	387,149
Accretion expense	7,685
Balance, end of period	\$ 394,834

13. SEGMENTED FINANCIAL INFORMATION

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

14. 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.

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;

14. COMMITMENTS AND CONTINGENCIES *(Continued)*

- 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.

15. SUBSEQUENT EVENTS

On December 17, 2019, the Company entered into a grow trial with Cannalife Solutions LLC to test the LED cannabis lights that were developed with Fundamental Lighting Solutions Inc. The agreement is for a period of one year and consist of several grow trials.