



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

FEBRUARY 28, 2021

(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	28-Feb-21	May 31, 2020
Assets			
Current assets			
Cash		\$ 949,373	\$ 14,794
Receivables		31,363	19,864
Prepaid expenses and deposits	13	140,207	26,119
Due from related parties	8	2	2
		<u>1,120,945</u>	<u>60,779</u>
Non-current assets			
Property and equipment	4	52,580	64,311
Intangible assets	5	887,857	921,501
		<u>940,437</u>	<u>985,812</u>
Total assets		\$ 2,061,382	\$ 1,046,591
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 116,514	\$ 205,452
Interest payable	12	79,000	43,750
Convertible debenture payable	12	-	447,112
Derivative liability - Convertible debenture	12	-	83,000
		<u>195,514</u>	<u>779,314</u>
Equity			
Share capital	6	27,206,968	25,315,866
Reserves	6	7,022,025	7,022,025
Deficit		(32,363,125)	(32,070,614)
		<u>1,865,868</u>	<u>267,277</u>
Total equity and liabilities		\$ 2,061,382	\$ 1,046,591

Commitments and contingencies (Note 14)

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on April 26, 2021. They are signed on the Company's behalf by:

/s/ Rick Easthom

Director

/s/ Alan Boyco

Director

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

	Note	Three months ended		Nine months ended	
		February 28, 2021	February 29, 2020	28-Feb-21	February 29, 2020
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	16,259	16,048	48,291	46,856
Business development		-	1,519		22,845
Consulting fees	8, 10	-	-		46,030
Depreciation - growing towers	4	2,648	4,012	10,618	6,687
Depreciation - furniture and equipment	4	798	3,095	1,114	3,546
Management fees	8	15,000	15,000	45,000	45,000
Other operating expenses		(421)	3,192	4,946	16,442
Professional fees	8	6,254	6,839	43,788	67,327
Registration and information to shareholders		31,502	7,103	44,686	28,856
Rent		(1,661)	465	(232)	7,635
Research and development		-	26,569	-	34,853
Travel		231	3,792	599	32,169
Wages, employee benefits and training	8	1,199	39,658	77,296	116,366
		71,808	127,292	276,105	474,612
Operating loss		71,808	127,292	276,105	462,150
Other items					
Change in fair value of the derivative liability	12	-	256	30,112	(5,149)
Interest expense	12	(4,000.00)	(18,750)	(36,237)	(25,000)
Accretion expense	12	15,922.00	(24,754)	16,683	(32,439)
Other		765.00	2,359	(26,969)	6,863
		12,687.00	(40,889)	(16,411)	(55,725)
Net and comprehensive loss for the year		\$ 59,121	\$ 168,181	\$ 292,517	\$ 406,425
Basic and diluted loss per share	7	\$ (0.00)	\$ 0.00	\$ 0.00	\$ 0.00
Weighted average number of shares		211,033,620	152,908,108	211,033,620	152,908,108

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

	Note	Share capital		Reserves			Deficit	Total equity
		Number of shares	Amount	Warrants	Broker's warrants	Equity-settled employee benefits		
Balance as at May 31, 2020		152,908,108	25,315,866	1,364,161	122,212	5,535,652	(32,070,614)	267,277
Share issuance - private placement	6	12,744,561	382,337	-	-	-	-	382,337
Net loss for the period		-	-	-	-	-	(119,578)	(119,578)
Balance as at August 31, 2020		165,652,669	\$ 25,698,203	\$ 1,364,161	\$ 122,212	\$ 5,535,652	\$ (32,190,192)	\$ 530,036
Share issuance - conversion of debenture		16,666,667	500,000					500,000
Net loss for the period							(113,812)	(113,812)
Balance as at November 30, 2020		182,319,336	\$ 26,198,203	\$ 1,364,161	\$ 122,212	\$ 5,535,652	\$ (32,304,004)	\$ 916,224
Share issuance - Private placement		28,714,284	994,291.07					994,291
Net loss for the period							(59,121)	(59,121)
Balance as at February 28, 2021		211,033,620	\$ 27,192,494	\$ 1,364,161	\$ 122,212	\$ 5,535,652	\$ (32,363,125)	\$ 1,851,394

See notes to the condensed consolidated interim financial statements

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

	Nine Months Ended	
	February 28, 2021	February 29, 2020
Cash flows (used in) operating activities		
Net loss for the period	\$ (292,517)	\$ (517,875)
Items not involving cash:		
Accretion expense	16,683	32,439
Amortization - intangible assets	48,291	46,856
Change in fair value of derivative liability	(30,112)	5,149
Depreciation - property and equipment	1,114	3,546
Depreciation - growing towers	10,618	6,687
Foreign exchange on due from related parties	-	320
Other	(2,203)	(6,863)
Interest expense	35,250	25,000
Changes in non-cash working capital items:		
Receivables	(11,499)	2,450
Prepaid expenses and deposits	(114,088)	(1,378)
Accounts payable and accrued liabilities	(88,938)	(37,362)
Customer deposit	-	(53,550)
Net cash (used in) operating activities	<u>(427,402)</u>	<u>(494,581)</u>
Cash flow from Investing Activities		
Purchase of Fixed Assets	-	(24,130)
Patent Development Costs	(14,647)	(7,458)
	<u>(14,647)</u>	<u>(31,588)</u>
Cash flows from financing activities		
Conversion of Debenture	(500,000)	500,000
Proceeds from conversion of debenture	500,000	-
Proceeds from issuance of common shares	1,376,628	-
Net cash provided by financing activities	<u>1,376,628</u>	<u>500,000</u>
Change in cash for the period	934,579	(26,169)
Cash, beginning of the period	14,794	63,785
Cash, end of the period	<u>\$ 949,373</u>	<u>\$ 37,616</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 400 – 595 Howe St. Vancouver, BC V6C 2T5. 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 February 29, 2021 has an accumulated deficit of \$32,363,125 and a working capital of \$925,400. 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.

Global Pandemic

In early March 2020, there was a global outbreak of coronavirus (COVID-19) that has resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a prospective material impact to the Company’s cash flows and liquidity.

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").

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 entered into a 10 year lease that commences on March 1, 2021 and will be disclosed accordingly in the statements related to the time period that includes March 1, 2021.

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, 2020.

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, 2020. 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 nine-month period ended February 28, 2021 are not necessarily indicative of the results that may be expected for the year ending May 31, 2021.

AFFINOR GROWERS INC.
 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND FEBRUARY 28, 2020
 (Presented in Canadian Dollars)

4. PROPERTY, PLANT AND EQUIPMENT

	Growing equipment	Computer equipment	Lighting Equipment	Office equipment	Total
Cost					
As at May 31, 2020	\$ 21,336	\$ 5,438	\$ 57,373	\$ 5,863	\$ 90,010
Additions during the period	-	-	-	-	-
As at February 21, 2021	\$ 21,336	\$ 5,438	\$ 57,373	\$ 5,863	\$ 90,010
Accumulated depreciation					
As at May 31, 2020	\$ 10,766	\$ 4,159	\$ 5,737	\$ 5,037	\$ 25,699
Depreciation for the period	2,871	288	7,745	826	11,730
As at February 21, 2021	\$ 13,637	\$ 4,447	\$ 13,482	\$ 5,863	\$ 37,429
Net book value					
As at May 31, 2020	\$ 10,570	\$ 1,279	\$ 51,636	\$ 826	\$ 64,311
As at February 21, 2021	\$ 7,699	\$ 991	\$ 43,891	\$ -	\$ 52,581

5. INTANGIBLE ASSETS

	Patents	Patents Pending	Patent Development	Total
Cost				
As at May 31, 2020	\$ 1,000,001	\$ 44,000	\$ 109,004	\$ 1,153,005
Additions during the period	-	929	13,719	14,647
As at February 21, 2021	\$ 1,000,001	\$ 44,929	\$ 122,723	\$ 1,167,652
Accumulated amortization				
As at May 31, 2020	\$ 219,908	\$ 1,228	\$ 10,368	\$ 231,504
Amortization for the period	41,667	1,835	4,789	48,291
As at February 21, 2021	\$ 261,575	\$ 3,063	\$ 15,157	\$ 279,795
Net book value				
As at May 31, 2020	\$ 780,093	\$ 42,772	\$ 98,636	\$ 921,501
As at February 21, 2021	\$ 738,426	\$ 41,866	\$ 107,565	\$ 887,857

6. CAPITAL AND RESERVES

(i) Authorized:

At February 28, 2021, 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 issued 58,125,512 common shares during the nine months ended February 28, 2021 for total proceeds of \$1,876,628. 16,666,667 of the 58,125,512 shares issued were issued in exchange for the conversion of a \$500,000 debenture that was originally issued in November 2020.

(iii) Warrants:

The continuity of warrants for the nine months ended February 28, 2021 is as follows:

Expiry date	Exercise price	May 31, 2020	Issued	Exercised	Expired	February 2021
August 17, 2020	\$0.10	2,000,000	-	-	(2,000,000)	-
August 21, 2022	\$0.06	-	12,744,561	-	-	12,744,561
February 26, 2022	\$0.05	-	28,714,284	-	-	28,714,284
Outstanding		2,000,000	41,458,845	-	(2,000,000)	41,458,845
Weighted average exercise price		\$ 0.10	\$ -	\$ -	\$ 0.10	\$0.05

The August 21, 2022 expiration warrants have a forced exercise price. If the closing price of the Company's shares are \$0.20 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 February 20, 2021, the weighted average contractual life is 1.4 years (May 31, 2020 – 0.2 years)

The continuity of warrants for the year ended May 31, 2020 is as follows:

Expiry date	Exercise price	May 31, 2019	Issued	Exercised	Expired	May 31 2020
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	-	-	(28,201,547)	2,000,000
Weighted average exercise price		\$ 0.23	\$ -	\$ -	\$ -	\$0.10

** 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:

As of February 29, 2021, there were no broker's warrants outstanding.

The continuity of broker's warrants for the year ended May 31, 2020 is as follows:

Expiry date	Exercise price	May 31, 2019	Issued	Exercised	Expired	May 31 2020
April 17, 2020	*	\$0.20	70,747	-	-	(70,747)
Outstanding		70,747	-	-	(70,747)	-
Weighted average exercise price		\$ 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 21,103,336 shares on February 29, 2021.

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.

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 nine months ended February 28, 2021 is as follows:

Expiry date	Exercise price	May 31, 2020	Granted	Exercised	Expired/cancelled	February 2021
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		5,600,000	-	-	1,400,000	4,200,000
Options exercisable		5,600,000	-	-	1,400,000	4,200,000
Weighted average exercise price		\$ 0.08	\$ -	\$ -	\$ -	\$ 0.11

As of February 29, 2020, the weighted average contractual remaining life is 0.29 years (May 31, 2020 – 1.24 years).

The April 5, 2021 options expired without exercise.

The weighted average assumptions used to estimate the fair value of options for the nine months ended February 28, 2021 and February 29, 2020 were:

	Nine months ended February 28, 2021	Nine months ended February 29, 2020
Risk-free interest rate	Nil	Nil
Expected life	Nil	Nil
Expected volatility	Nil	Nil
Expected dividend yield	Nil	Nil

7. LOSS PER SHARE

Basic and diluted loss per share

Diluted loss per share did not include the effect of 4,200,000 share purchase options and 41,458,845 warrants for the nine months ended February 28, 2021 (February 29, 2020 – 5,600,000 share purchase options, 70,747 broker's warrants and 30,201,547 warrants) as they are anti-dilutive.

8. RELATED PARTY TRANSACTIONS

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

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

AFFINOR GROWERS INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2021 AND FEBRUARY 28, 2020
(Presented in Canadian Dollars)

(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:

	Nine Months Ended	
	February 28, 2021	February 29, 2020
Consulting fees	\$ -	\$ 40,000
Management fees	36,000	45,000
Wages and employee benefits	77,296	114,335
Total	\$ 113,296	\$ 199,335

	Services	Transactions for the nine months ended		Balance due	
		February 28, 2021	February 29, 2020	As at February 28, 2021	As at February 29, 2020
Aboriginal Import Export ^(a)	Consulting and management fees	\$ -	\$ 40,000	\$ -	\$ 40,000
Randy Minhas, Chief Financial Officer ^(b)	Salaries and share-based payment	\$ 77,296	\$ 114,335	\$ 25,000	\$ -
Softail Enterprises Inc. ^(c)	Management fees	\$ -	\$ 45,000	\$ -	\$ 10,500
Rick Easthom, Director	Management fees	\$ 3,000	\$ -	\$ 1,000	\$ -
Ron Fraser, Chief Operating Officer	Management fees	\$ 15,000	\$ -	\$ -	\$ -
Sarj Dhaliwal, Chief Financial Officer ^(d)	Management fees	\$ 18,000	\$ -	\$ 12,000	\$ -

- (a) Nicholas Brusatore was appointed as the Chief Executive Officer effective January 29, 2018 and was compensated via payment to Aboriginal Import Export, a company controlled by Mr. Brusatore. Mr. Brusatore resigned as Chief Executive Officer effective September 28, 2018. Mr. Brusatore remained on as a consultant until September 28, 2019 and was re-appointed Chief Executive Officer effective December 1, 2020 for an annual salary of \$1.
- (b) Randy Minhas was appointed as the Chief Financial Officer effective May 2, 2018 and named Chief Executive Officer on September 28, 2018. Mr. Minhas resigned as the CEO and CFO effective November 30, 2020. The amount outstanding was paid in March.
- (c) Softail Enterprises Inc. is controlled by a director of the Company. The director resigned effective November 30, 2020.
- (d) Sarj Dhaliwal is the CFO of the company. The amount owing is management fees and they were paid in early March.

(ii) Due from related parties

On May 2, 2018, the Company advanced \$220,000 to Vertical Designs Ltd. ("VDL"), a company controlled by the Company's former CEO. This advance is secured by a promissory note and the assets of VDL, 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 year ended May 31, 2019 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. VDL was dissolved on June 5, 2019; however the full amount of \$220,000 remains outstanding.

On August 9, 2018, the Company advanced US\$75,000 to VDL Colombia S.A.S., a company in which a former 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 February 28, 2021, there is US\$56,520 outstanding. The loan is due on demand.

Technology License Agreement

On March 30, 2020, the Company entered into a technology license agreement with a company controlled by a the CEO of the Company (the "licensee") pursuant to which the Company granted the licensee a limited, exclusive (on the property owned by the licensee in Abbotsford, BC and excluding the Company's use (as defined)), non-transferable, sublicensable, license to use, license, sell, offer for sale, advertise, market and distribute the Company's vertical growing tower for horticulture and agriculture (the "growing tower") through embodying products (as defined) and advertise and market these products and services utilizing its own trade-marks for an initial term of two years. As part of the consideration of the license, the licensee and, where applicable, its affiliated licensee(s) will pay the Company a one-time licensing fee equal to an aggregate minimum fee of \$150 per growing tower. The licensing fee is payable at the time an order is placed and the Company reserves the right to waive, increase or decrease the licencing fee at any time during the agreement. The licensee will be able to obtain distribution rights for the growing tower for a specific territory upon entering a distribution agreement with the Company based on terms determined by the Company. 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 at least 60 days prior to the end of the then current term. The licensee has the first right of refusal for any new licenses the Company wishes to issue within the City of Abbotsford, BC, with each new license being pursuant to an agreement based on terms determined by the Company.

Notice was provided that this contract was not be renewed effective March 30, 2021.

Abbotsford Greenhouse License

On January 21, 2021, the Company entered into an Industrial Lease (the "Lease") with the CEO of the Company, whereby the Company leased from the CEO the greenhouse and compost buildings and their equipment and fixtures (the "Premises") located on his property in Abbotsford, BC (collectively, the "Property"). The Lease has a 10-year term commencing on March 1, 2021 and ending on February 28, 2031. The Company paid a \$5,000 security deposit and gross rent during the term is \$81,000 per year, payable monthly. The Company has no obligation to pay or reimburse the CEO or anyone else for any costs or expenses of owning or operating the Property including, without limitation, realty taxes, insurance, alterations, repairs or maintenance. The Company is responsible for paying the costs of supplying utilities and services to the Premises and for operating, maintaining and repairing the Premises that are not supplied, or required to be made by, the CEO.

The CEO will provide and carry out, in accordance with the specified schedule, at the Company's expense, all equipment and work required to be provided in order to render the Premises complete and suitable to open for business (the "CEO's Work"). If the CEO is delayed in delivering possession of all or any portion of the Premises to the Company by the commencement date, the commencement date and the Company's obligation to pay rent will be postponed accordingly. The Company will provide and carry out, in accordance with the specified schedule, at its expense, all equipment and work other than the CEO's Work required to be provided in order to render the Premises complete and suitable to open for business (the "Company's Work"), with the design of the Premises being carried out by a qualified professional designer and engineers in accordance with the specified schedule. All leasehold improvements (excluding the Company's Work) immediately become the CEO's property without compensation to the Company. The Company is responsible for repairing any significant or substantial damage caused to the Property by the leasehold improvements or trade fixtures, personal property, partitions and equipment or its removal.

Provided that the Company's Work has been completed as specified, then in consideration of the Company performing its work, and paying for the CEO's Work, at its sole cost and expense, rent will not be payable by the Company until such time as the Company has recovered the entire cost of the Company's Work and the CEO's Work from the

revenues generated by the sale of products grown and prepared at the Premise (the "Free Rent Period"). During the Free Rent Period, the Company must provide the CEO with monthly progress reporting (the "Free Rent Reports") on the status of its cost recovery with respect to expenses incurred in completing the Company's Work and the CEO's Work. If the Company fails to provide the CEO with the Free Rent Reports, rent immediately becomes payable to the CEO for the remainder of the balance of the term. If this occurs, and provided that the Company has not recovered all or any portion of the costs with the CEO's Work, the CEO will immediately pay to the Company the outstanding balance of the CEO's Work not recovered by the Company at the time that rent becomes payable.

Provided that the Company is not in default, it has the option to extend the term of the Lease for an additional five years at a rent to be determined based on the fair market rent at the time of option exercise. If the Company continues to occupy the Premises on expiry of the initial term or the subsequent extension, it will be on a month-by-month basis and either party can terminate the Lease by giving one month's written notice to the other.

During the term of the Lease, including the option to renew, the CEO must not permit any conveyance, sale or transfer of his interest in the Property to a bona fide third party until he has first offered the Company the right to acquire his interest in the Property on the same terms and conditions as set out in the third party's offer.

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 February 28, 2021 and May 31, 2020, all of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

As at February 28, 2021, the Company has financial assets of \$980,738 to cover financial liabilities of \$195,514. 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 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.

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

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 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).

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 matured on November 1, 2020 (the "Maturity Date") that was 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

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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 Debenture was converted to 16,666,667 common shares of the Company in December 2020. The accrued interest was not converted; however was paid subsequent to the end of Q3.

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 February 29, 2020, was \$118,000. The derivative liability was calculated using an acceptable option pricing valuation model with the following assumptions:

	February 29, 2020
Risk-free interest rate	1.19% - 1.61%
Expected life (years)	0.67 - 1.00
Expected volatility	162.59% - 210.47%
Expected dividend yield	Nil

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

	February 29, 2020
Balance, beginning of period	\$ -
Fair value at inception	112,851
Change in fair value of derivative liability	5,149
Balance, end of period	\$ 118,000

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:

	February 29, 2020
Balance, beginning of period	\$ -
Discounted convertible debentures	387,149
Accretion expense	32,439
Balance, end of period	\$ 419,588

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

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 totaling \$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.

Subsequent to period end, the Company decided to terminate the agreement effective May 31, 2020

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.
- The company did not proceed with this transaction.

15. COMPARATIVE FIGURES

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.