CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

AUGUST 31, 2021

(UNAUDITED)

Contents

CONDENSED CONSOLIDATED 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.
CONDENSEDD CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Presented in Canadian Dollars)

	Note		August 31, 2021		May 31, 2021
Assets					
Current assets					
Cash		$	119,764	$	433,652
Receivables			49,468		33,315
Prepaid expenses and deposits			45,340		86,907
Due from related parties	7		2		2
			214,574		553,876
Non-current assets					
Property and equipment	4,7		567,119		303,987
Intangible assets	5		887,445		903,450
Deferred Lease Acquisition Costs	7		11,725		11,725
			1,466,289		1,219,162
Total assets		$	1,680,863	$	1,773,038
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		$	728,648	$	658,688
Subscription Proceeds Refundable			-		25,000
			728,648		683,688
Longterm Liabilities					
Equity					
Share capital	6		27,159,797		27,159,797
Reserves			7,022,026		7,022,025
Deficit			(33,229,608)		(33,092,472)
			952,215		1,089,350
Total equity and liabilities		$	1,680,863	$	1,773,038

Commitments and contingencies (Note 14)

These consolidated financial statements are authorized for issue by the Board of Directors on October 30, 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)

	Note	Three Months ended August 31, 2022	August 31, 2021
Revenue		$ -	$ -
Expenses			
Amortization - patents	5	16,005	16,016
Business development			-
Consulting fees	7	28,500	-
Amortization - Property and Equipment	5	806	5,480
Management fees	7	-	15,000
Other operating expenses		1,217	1,853
Professional fees	7	14,334	4,784
Registration and information to shareholders		76,274	6,592
Rent		-	705
Research and development		-	
Travel		-	271
Wages, employee benefits and training		-	38,491
		137,136	89,192
Operating loss		(137,136)	(89,192)
Other items			
Change in fair value of the derivative liability		-	17,000
Interest expense		-	(18,750)
Accretion expense			(30,605)
Writedown of related party expense			-
Other			1,969
		-	(30,386)
Net and comprehensive loss for the year		$ (137,136)	$ (119,578)
Basic and diluted loss per share	9	$ (0.00)	$ (0.00)
Weighted average number of shares		211,033,620	154,431,900

See notes to the condensed consolidated interim financial statements

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

		Share capital		Reserves				
	Note	Number of shares	Amount	Warrants	Broker's w arrants	settled employee benefits	Deficit	Total equity
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 placements	9	41,458,845	1,343,931					1,343,931
Share issuance - Debt conversion	9	16,666,667	500,000					500,000
Net loss for the period		-	-		-		(1,021,858)	(1,021,858)
Balance as at May 31, 2021		152,908,108	25,315,866	1,364,161	122,212	5,535,652	(33,092,472)	1,089,350
Net Loss for the Period							(137,136)	(137,136)
Balance as at May 31, 2021		152,908,108	25,315,866	1,364,161	122,212	5,535,652	(33,229,608)	952,214

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

	Three Months Ended	
	31-Aug-21	August 31, 2020
Cash flows (used in) operating activities		
Net loss for the period	$ (137,136)	$ (119,578)
Items not involving cash:		
Accretion expense	-	30,605
Amortization - intangible assets	16,005	16,016
Change in fair value of derivative liability	-	(17,000)
Depreciation - property and equipment	806	5,480
Interest expense	-	18,750
Changes in non-cash working capital items:		
Receivables	(16,153)	2,694
Prepaid expenses and deposits	41,567	(94,755)
Accounts payable and accrued liabilities	69,960	2,625
Customer deposit	-	-
Net cash (used in) operating activities	(24,950)	(155,163)
Cash flow from Investing Activities		
Purchase of Fixed Assets	263,938	-
Patent Development Costs	-	-
	263,938	-
Cash flows from financing activities		
Return of Private Placement Funds	(25,000)	
Proceeds from issuance of common shares	-	382,337
Net cash provided by financing activities	(25,000)	382,337
Change in cash for the period	(313,888)	227,174
Cash, beginning of the period	433,652	14,794
Cash, end of the period	$ 119,764	$ 241,968

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

To date, the Company has generated limited revenue and significant losses, has not generated positive cash flows from operations and as at August 31, 2021 has an accumulated deficit of $33,229,608. It has relied upon financing primarily from private equity placements and exercise of options and warrants to fund its operations. The Company expects to obtain funding through additional equity offerings and licensing of its technology until it achieves positive cash flows from operations.

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

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

2. BASIS OF PREPARATION

a) Statement of compliance

These 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.

(Presented in Canadian Dollars)

2. BASIS OF PREPARATION *(Continued)*

b) Basis of preparation - continued

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.

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, 2021.

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, 2021. 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 three-month period ended August 31, 2021 are not necessarily indicative of the results that may be expected for the year ending May 31, 2022.

4. PROPERTY AND EQUIPMENT

	Growing equipment	Computer equipment	Lighting Equipment	Construction in Progress	Office equipment	Total
Cost						
As at May 31, 2020	$ 21,336	$ 5,439	$ 57,373	$ -	$ 5,863	$ 90,011
Additions during the period		-		295,460	-	295,460
Written-off during the year	-	-	(57,373)		-	(57,373)
As at May 31, 2021	$ 21,336	$ 5,439	$ -	$ 295,460	$ 5,863	$ 328,097
Additions during the period	-	-	-	263,938	-	263,938
As at August 31, 2021	$ 21,336	$ 5,439	$ -	$ 559,398	$ 5,863	$ 592,035
Accumulated depreciation						
As at May 31, 2020	$ 10,766	$ 4,159	$ 5,737		$ 5,037	$ 25,699
Depreciation for the period	2,938	384	10,327		826	14,475
Depreciation for the year related to disposa	-	-	-		-	-
Depreciation related to impaired assets	-	-	(16,064)		-	(16,064)
As at May 31, 2021	$ 13,704	$ 4,543	$ -	$ -	$ 5,863	$ 24,110
Depreciation for the period	398	408	-	-	-	806
As at August 31, 2021	$ 14,102	$ 4,951	$ -	$ -	$ 5,863	$ 24,916

During the year ended May 31, 2021, the Company disposed of its office equipment for $nil. As at May 31, 2021, the Company wrote off the lighting equipment as it was not working as intended.

(Presented in Canadian Dollars)

4. PROPERTY AND EQUIPMENT (continued)

Construction-in-progress

On January 21, 2021, and as subsequently amended, the Company entered into an industrial lease with the CEO of the Company, whereby the Company leased from the CEO the greenhouse and compost buildings and their equipment and fixtures located on his property in Abbotsford, BC (the "Lease") (see Note 10). Pursuant to the Lease, the CEO is responsible for the Landlord's Work at the Company's expense and the Company is responsible for the Tenant's Work at its expense, in order to render the Premises complete and suitable to open for business. The original commencement date of the Lease was intended to be March 1, 2021. Because the CEO was delayed in delivering possession of all or any portion of the Premises to the Company on or before that date, the date on which the Premises are to be made available to the Company is postponed for a period equal to the ultimate duration of the delay. At commencement, the Lease will be accounted for under IFRS 16, *Leases* and a right-of-use asset and the related lease liability will be recognized on the consolidated statements of financial position at the end of the reporting period in which commencement occurs. As at August 31, 2021, the balance reported of $559,398 represents costs incurred by the Company related to the Landlord's Work. As at August 31, 2021, the Company had $141,654 in construction-related commitments.

At such time as the Landlord's Work and the Tenant's Work have been completed, the total costs incurred will be allocated between leasehold improvements and the appropriate component capital asset categories, depreciation methods will be determined and the recording of depreciation will commence.

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	9,013	43,743		52,756
Reclassifications during the year	142,456	(33,452)	(109,004)	-
Written-off during the year		(4,125)		(4,125)
As at May 31, 2021	$ 1,151,470	$ 50,166	$ -	$ 1,201,636
Additions during the period	-	-	-	-
As at August 31, 2021	$ 1,151,470	$ 50,166	$ -	$ 1,201,636
Accumulated amortization				
As at May 31, 2020	219,908	1,228	10,368	231,504
Amortization for the period	66,682			66,682
Reclassifications during the year	11,596	(1,228)	(10,368)	-
As at May 31, 2021	$ 298,186	$ -	$ -	$ 298,186
Amortization for the period	16,005	-	-	16,005
As at August 31, 2021	$ 314,191	$ -	$ -	$ 314,191
Net book value				
As at May 31, 2021	$ 853,284	$ 50,166	$ -	$ 903,450
As at August 31, 2021	$ 837,279	$ 50,166	$ -	$ 887,445

During the year ended May 31, 2015, the Company acquired the ownership and commercialization rights of the farming technology *Method and Apparatus for Automated Horticulture and Agriculture* to grow market-ready strawberries using automated, software-driven, vertical farming technology from Vertical Designs Ltd. ("VDL") and Aboriginal Import Export,

5. INTANGIBLE ASSETS (Continued**)**

companies controlled by the CEO of the Company, by issuing 6,388,888 common shares of the Company valued at $1,494,443.

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

During the year ended May 31, 2019, the Company acquired the technology *Vertical Growing Tower for Automated Horticulture and Agriculture.* In August 2019, a patent application was filed with the Canadian Intellectual Property Office having a priority date claimed of August 21, 2018.

During the year-ended May 31, 2019, the Company evaluated its portfolio of patents and decided to keep focus on the Company's redesigned vertical rotating tower and the development of a new vertical tower. As a result, the Company wrote-down the value of its patent *Method and Apparatus for Automated Horticulture and Agriculture* to $1. The Company will continue to maintain the patent in the coming years.

As at August 31, 2021, patents and patents pending were comprised of the following:

Patents

- Method and Apparatus for Automated Horticulture and Agriculture (Canada and United States);
- Method and Apparatus for Automated Vertical Horticulture and Agriculture (Canada and United States);
- Vertical Growing Tower for Automated Horticulture and Agriculture (Canada, Colombia and United States);
- Agricultural and Horticultural Growing Tower (Canada); and
- Growing Tower (United States).

Patents Pending

Patents were pending for certain of the above-noted patents in various countries including Aruba, Australia, Europe, India, New Zealand, Republic of Korea, Saudi Arabia, South Africa and United Arab Emirates.

On June 22, 2021, the Company applied for the following patents: *System and Method for Plant Cultivation and Drying* (United States); and *Automated Plant Growing Apparatus and Methods* (United States).

6. SHARE CAPITAL AND RESERVES

(i) Authorized:

At August 31, 2021 and May 31, 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:

a) There were no common shares issued during the period ending August 31, 2021

b) For the year-ended May 31, 2021, the following shares were issued:

On August 21, 2020, the Company closed a private placement of 12,744,561 units ("Units") at a price of $0.03 per Unit for gross proceeds of $382,337. Each Unit consists of one common share and one common share purchase warrant giving the warrant holder the right to buy another common share for two years at $0.06 per common share. In the event that the Company's common shares trade at a price on the CSE (or such other exchange on which the common shares may be traded at such time) of greater than $0.20 per share for a period

(Presented in Canadian Dollars)

6. SHARE CAPITAL AND RESERVES (continued)

of 20 consecutive trading days, the issuer may accelerate the expiry date of the warrants by giving notice to the holders thereof by way of a news release, and in such case, the warrants will expire on the 30th day after the date of such notice. Under the residual value approach, $nil was assigned to the warrants component of the Units.

On November 27, 2020, the Company issued 16,666,666 common shares of the Company at a deemed price of $0.03 per share to settle the $500,000 Principal Amount of the Debenture.

On February 26, 2021, the Company closed a private placement of 28,714,285 units ("Units") at a price of $0.035 per Unit for gross proceeds of $1,005,000. Each Unit consists of one common share and one common share purchase warrant giving the warrant holder the right to buy another common share for one year at $0.05 per common share. Cash finder's fees of $18,209 and additional share issue costs of $25,197 were paid in respect of the private placement. Under the residual value approach, $nil was assigned to the warrants component of the Units.

(iii) Warrants:

The continuity of warrants for the period ended August 31, 2021 is as follows:

Expiry date		Exercise price	31-May-21	Issued	Exercised	Expired	August 31, 2021
August 21, 2022	**	$0.06	-	12,744,561	-	-	12,744,561
February 26, 2022		$0.05		28,714,284			28,714,284
Outstanding				41,458,845	-	-	41,458,845
Weighted average exercise price		$ 0.05	-	$ 0.05	-	-	$0.05

** - These 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 30th day

(Presented in Canadian Dollars)

6. SHARE CAPITAL AND RESERVES (continued)

The continuity of warrants for the year ended August 31, 2021 is as follows:

Expiry date		Exercise Price	31-May-21	Issued	Exercised	Expired	31-Aug-21
August 21, 2022	**	$0.06	-	12,744,561	-	-	12,744,561
February 26, 2022		$0.05		28,714,284			28,714,284
Outstanding				41,458,845	-	-	41,458,845
Weighted average exercise price		$ 0.05	-	$ 0.05	-	-	$0.05

(iv) Broker's Warrants:

As at August 31, 2021, there were no Broker's Warrants issued or outstanding.

(v) Share Purchase Options Compensation Plan:

The Company maintains a share-based payment plan (the "Plan") whereby the Board of Directors may from time to time grant to directors, officers, employees and consultants, options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board, but the exercise price cannot be lower than the market price. The Plan provides that the maximum number of common shares in the capital of the Company which may be reserved for issuance under the Plan may not exceed 10% of the publicly traded shares issued and outstanding on the grant date of the options (on a non-diluted basis), this number being equal to 211,033,620 shares on August 31, 2021.

Options granted are exercisable at the day of grant unless they have a vesting period which is specified at the time of the stock option grant. 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

A summary of changes in the Company's common share purchase options for the three months ended August 31, 2021 is as follows:

(Presented in Canadian Dollars)

Expiry date		Exercise price	May 31, 2021	Granted	Exercised	Expired/ cancelled	August 31, 2021
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	-
July 26, 2031		$ 0.04	-	6,500,000			6,500,000
August 11, 2031		$ 0.05		1,000,000			1,000,000
Options outstanding			1,700,000	7,500,000	-	1,700,000	7,500,000
Options exercisable			1,700,000	7,500,000	-	1,700,000	3,250,000
Weighted average exercise price			$ 0.10	$ 0.04	$ -	$ -	$ 0.04

(v) Share Purchase Options Compensation Plan:

A summary of changes in the Company's common share purchase options for the year ended May 31, 2021 is as follows:

Expiry date		Exercise price	May 31, 2020	Granted	Exercised	Expired/ cancelled	May 31, 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
July 26, 2031		$ 0.04	-	6,500,000			6,500,000
Options outstanding			5,600,000	6,500,000	-	3,900,000	8,200,000
Options exercisable			5,600,000	6,500,000	-	3,900,000	4,950,000
Weighted average exercise price			$ 0.08	$ 0.04	$ -	$ -	$ 0.05

7. 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:

(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:

	Period Ended	
	31-Aug-21	31-Aug-20
Consulting fees	$ 21,000	$ -
Management fees	-	15,000
Wages and employee benefits	-	38,386
Total	$ 21,000	$ 53,386

		Transactions for the Three Months ended		Balance due	
	Services	31-Aug-21	August 31, 2020	As at August 31, 2021	As at August 31, 2020
Aboriginal Import Export	Consulting and management fees	$ -	$ -	$ -	$ 40,000
Randy Minhas, Chief Financial Officer	Salaries and share-based payment	$ -	$ 37,500	$ -	$ 10,082
Softail Enterprises Inc.	Management fees	$ -	$ 15,000	$ 68,250	$ 52,500
Rick Easthom, Director	Management fees	$ 3,000	$ -	$ -	$ -
Ron Fraser, Chief Operating Officer	Management fees	$ -	$ -	$ -	$ -
Sarj Dhaliw al, Chief Financial Officer	Management fees	$ 18,000	$ -	$ -	$ -

(a) Aboriginal Import Export ("AIE") is a company controlled by Nicholas Brusatore. Mr. Brusatore was appointed as Chief Executive Officer ("CEO") effective December 1, 2020 and receives compensation of $1 per year. Mr. Brusatore was originally appointed CEO effective January 29, 2018, was compensated through AIE, resigned as CEO effective September 28, 2018 and remained as a consultant until September 28, 2019. During the year ended May 31, 2021, $40,000 recorded as consulting fees during the year ended May 31, 2020, and included in accounts payable as at May 31, 2020, were reversed.
(b) Sarj Dhaliwal was appointed Chief Financial Officer ("CFO") effective December 1, 2020 and receives a monthly fee of $6,000.
(c) Randy Minhas was appointed as CFO effective May 2, 2018, was appointed President and CEO on September 18, 2018 and resigned as President, CEO and CFO effective November 30, 2020. The balance owing to Mr. Minhas as at August 31, 2021 was for unpaid wages and reimbursable expenses.
(d) Rick Easthom is a director and the Chairman of the Board of Directors of the Company.
(e) Softail Enterprises Inc. is a company controlled by Brian Whitlock, a former director of the Company.
(f) Brian Whitlock resigned as a director on November 30, 2020.

7. RELATED PARTY TRANSACTIONS *(Continued)*

(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 CEO. This advance (the "VDL 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. 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. See (iii) below.

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 matured on August 31, 2018, and is secured by a promissory note, the assets of the company, and the shares of the company pledged by shareholders of the company and bears interest at 15% per annum commencing on August 31, 2018. Prior to May 31, 2019, the director divested his interest in VDL Colombia S.A.S. As at May 31, 2020, the Company wrote the balance down to $1 as collectability was considered doubtful.

(iii) Industrial Lease

On January 21, 2021, the Company entered into an industrial lease with the CEO of the Company, whereby the Company (the "Tenant") leased from the CEO (the "Landlord") the greenhouse and compost buildings and their equipment and fixtures (the "Premises") located on his property in Abbotsford, BC (collectively, the "Property"). In May 2021, the Company and the CEO entered into a lease amending agreement (collectively with the industrial lease, (the "Lease"). The Lease has a 10-year term commencing on March 1, 2021 and ending on February 28, 2031. In the event that the Landlord's Work (as defined) is not complete to a stage sufficient to permit the Company to commence the Tenant's Work (as defined) and the Landlord is delayed in delivering possession of all or any portion of the Premises to the Company on or before the commencement date, then the date on which the Premises are to be made available to the Company, the commencement date, the obligation of the Company to pay rent and the expiry date of the term will be will be postponed for a period equal to the duration of the delay. 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 Landlord 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 Landlord

The Landlord will provide and carry out, at the Company's expense, all equipment and work (as specified) other than the Tenant's Work (the "Landlord's Work") and the Company will provide and carry out, at its expense, all equipment and work (as specified) other than the Landlord's Work (the "Tenant's Work") required to be provided in order to render the Premises complete and suitable to open for business. In consideration for the Company being responsible for all of the costs associated with the Landlord's Work, the cost of the Landlord's Work will be included in the total amount recoverable by the Company and to the Free Rent Period. All leasehold improvements (as defined and excluding trade fixtures (including the items installed as the Tenant's Work) and furniture and fixtures not in the nature of fixtures) immediately on their placement become the Landlord'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 Tenant's Work has been completed as specified and there is no active, outstanding or unresolved dispute with respect thereto then, in consideration of the Company providing the VDL Advance (see (ii) above), the Company performing the Tenant's Work at its sole cost and expense and the Company paying for the Landlord's Work at the Company's sole cost, the rent payable under the Lease will not be payable by the Company until such time as the Company has recovered (i) the entire cost of the Tenant's Work and the Landlord's Work and (ii) the VDL Advance, with such recovery to be calculated based on the Company's EBITDA (being earnings before interest, taxes,

7. RELATED PARTY TRANSACTIONS *(Continued)*

(iii) Industrial Lease (continued)

depreciation and amortization) generated from the sale of products grown and prepared at the Premise (the "Free Rent Period"). For the sake of clarity, the Free Rent Period is not a deferral of rent payable but a free rent period until such time as the Company recovers its costs for the Tenant's Work, the Landlord's Work and the VDL Advance.

During the Free Rent Period, the Company must provide the Landlord with monthly progress reporting (the “Free Rent Reports”) on the status (as specified) of its cost recovery. In the event that the Company fails to comply with the requirements of the Free Rent Period, rent immediately becomes payable to the Landlord for the remainder of the balance of the term. In the event that the foregoing has occurred, and provided that the Company has not recovered the costs or any portion of the costs with the VDL Advance or the Landlord’s Work, then the Landlord will immediately pay to the Company the outstanding balance of the VDL Advance and the Landlord’s Work that the Company has not recovered at the time rent becomes payable. At such time during the term when the Company has recovered the final, total costs of the VDL Advance, the Tenant’s Work and the Landlord’s Work, rent will immediately become payable to the Landlord for the remainder of the balance of the term.

Provided that the Company is not in default of its obligations under the Lease, it has one additional option to extend the term of the Lease as it relates to all of the Premises (the “Option”) for an additional five years at a rent to be determined based on the fair market rent at the time of the Option is exercised. If, at the expiration of the initial term or any subsequent renewal or extension thereof, the Company continues to occupy the Premises without further written

agreement, the tenancy will be from month to month and either party can terminate the Lease by giving one month’s written notice to the other.
During the term of the Lease, including any Option to renew, and provided that the Company is not in default under the Lease, the Landlord must not permit any conveyance, sale or transfer of his interest in the Property to a bona fide third party (collectively, the “Offer”) to occur 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 Offer.

Delayed possession

As at August 31, 2021 and the date of these financial statements, the Landlord’s Work had not been completed to a stage sufficient to permit the Company to commence the Tenant’s Work. Accordingly, the commencement date and possession by the Tenant has been delayed and the expiry date of the term will ultimately be extended in length equal to the aggregate delay.

Right-of-use asset / Lease liability

IFRS 16 *Leases* requires that the Tenant, recognize a right-of-use asset and a lease liability on its consolidated statement of financial position at the commencement date of the lease. As noted above, the commencement date has been delayed and, accordingly, a right-of-use asset and the related lease liability have not been recognized as at May 31, 2021.

Costs incurred

As at August 31, 2021, $559,398 (2020 – $nil) in costs relating to the Landlord’s Work had been incurred by the Company (see Note 4).

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The fair values of the Company’s cash, receivables (excluding GST/sales tax), deposits, due from related parties, accounts payable and accrued liabilities, interest payable and convertible debenture payable 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. The Company's convertible debenture bears interest at 15% per annum. See Note 13.

(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.

As at August 31, 2021 and May 31, 2021, all of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms, except for the convertible debenture payable. The convertible debenture payable is due on November 1, 2021; however, the Company has the option to force conversion. See Note 10.

As at August 31, 2021, the Company has financial assets of $119,764 to cover financial liabilities of $728,648. 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 related parties are unsecured. See Note 7.

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).

As at May 31, 2020, the Company's derivative liability of $66,000 was included in Level 3 of the fair value hierarchy.

(Presented in Canadian Dollars)

9. CONVERTIBLE DEBENTURE

On November 1, 2019, the Company entered into an agreement to issue a convertible debenture (the "Debenture") for aggregate proceeds of $500,000 (the "Principal Amount") for a 12-month term from date of issuance bearing interest at a rate of 15% per annum. On November 27, 2020, the Company and the creditor entered into a debt settlement agreement, whereby the Company agreed to issue the creditor 16,666,666 common shares of the Company at a deemed price of $0.03 per share as full and final payment of the Principal Amount (see Note 8). The Company and the creditor also agreed that the outstanding interest of $75,000 would bear simple interest at the rate of 15% per annum until repaid by the specified date. During the year ended May 31, 2021, $79,000 was paid to the creditor, being the outstanding interest of $75,000 plus additional interest of $4,000.

The Principal Amount and any accrued and unpaid interest on the Debenture were convertible at the election of the holder into common shares in the capital of the Company, in whole or in part, at any time following the issue date but on or before the maturity date at the specified conversion price. Further, the Company had the right to force settlement of the Principal Amount together with any interest accrued but unpaid interest as specified. The conversion feature of the Debenture met the definition of a derivative liability instrument because neither the exercise price of the conversion feature nor the number of potential common shares were fixed. Therefore, the conversion feature did not meet the criteria as outlined in IAS 32 *Financial Instruments: Presentation*. As a result, the conversion feature of the Debenture 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. In accordance with IAS 32, for convertible notes with embedded derivative liabilities, the embedded derivative liability was determined first and the residual value was assigned to the debt host liability.

On inception of the debenture, the fair value of the derivative liability related to the conversion feature was $112,851. The derivative liability was calculated using the Binomial option pricing valuation model with the following assumptions:

The change in the derivative liability related to the conversion feature is as follows:

	31-Aug-21	31-Aug-20
Balance, beginning of period	$ -	$ 447,112
Discounted convertible debentures	-	-
Accretion expense	-	49,355
Balance, end of period	$ -	$ 496,467

10. 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. SEGMENTED FINANCIAL INFORMATION

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

13. PREPAID EXPENSES

On August 20, 2020, the Company launched a new shareholder communications and marketing initiative designed to improve visibility into the Company's operations. The Company has retained Vancouver-based Stockhouse Publishing Ltd. ("SPL") to assist in the execution of this initiative. This new initiative, with SPL, is a comprehensive agreement that will include development of a marketing strategy, social media initiatives text, dissemination of text, image and video content through SPL, with the Company retaining full editorial control. The client services agreement is for a 12-month period with the compensation being $100,000 cash. Of the total cost, the Company has prepaid $88,750. In the event of termination by SPL for the reasons specified, the Company must pay any outstanding instalments within 10 days. This initiative was not continued after August 20, 2021.

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. As at May 31, 2018, $175,000 in GST paid on the consulting fees was included in receivables. Of this amount, $47,500 has been recovered from four consultants.

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.

14. COMMITMENTS AND CONTINGENCIES (*Continued*)

In relation to the above noted issue, 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.