

AFFINOR GROWERS INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2024 AND 2023

Presented in Canadian Dollars

Head office and records office
4th Floor, 595 Howe St., Vancouver, BC V6C 2T5

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Affinor Growers Inc.

Opinion

We have audited the consolidated financial statements of Affinor Growers Inc. and its subsidiary (together the “Company”), which comprise the consolidated statements of financial position as at May 31, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders’ equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at May 31, 2024 and 2023 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which indicates that the Company incurred a net loss of \$1,029,121 for the year ended May 31, 2024 and, as of that date, had a cumulative deficit of \$36,126,421. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended May 31, 2024. These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described above in the Material Uncertainty Related to Going Concern section, we have determined that there are no key audit matters to be communicated in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis (“MD&A”) but does not include the consolidated financial statements and our auditors’ report thereon.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the MD&A identified above and, in doing so, consider whether the MD&A is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be misstated.

We obtained the MD&A prior to the date of this auditors’ report. If, based on the work we have performed on this MD&A, we conclude that there is a material misstatement of this MD&A, we are required to report that fact in this auditors’ report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors’ Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company’s internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audits. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audits of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audits resulting in this independent auditors' report is Laurence W. Zeifman, CPA, CA.

Toronto, Ontario
October 1, 2024

Zeifmans LLP
Chartered Professional Accountants
Licensed Public Accountants

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

	As at May 31, 2024	As at May 31, 2023
ASSETS		
Current assets		
Cash	\$ 2,906	\$ 2,172
Sales tax recoverable	26,380	10,023
Prepaid expenses	19,875	5,000
Due from related parties	2	2
	<u>49,163</u>	<u>17,197</u>
Non-current assets		
Property and equipment (Notes 4)	631,311	749,532
Intangible assets (Note 5)	771,750	837,509
Right-of-use asset (Note 9(b))	447,148	507,101
	<u>1,850,209</u>	<u>2,094,142</u>
Total assets	<u>\$ 1,899,372</u>	<u>\$ 2,111,339</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Notes 6, 9 & 13)	\$ 973,335	\$ 1,083,960
Lease liability (Note 9(b))	66,310	-
Loans payable (Notes 7 & 9)	47,591	185,107
	<u>1,087,236</u>	<u>1,269,067</u>
Non-current liabilities		
Lease liability (Note 9(b))	522,989	588,710
Total liabilities	<u>1,610,225</u>	<u>1,857,777</u>
Shareholders' equity		
Share capital (Note 8)	28,696,523	27,861,979
Contributed surplus (Note 8)	1,375,086	1,364,161
Share-based payment reserve (Note 8)	6,343,959	6,124,722
Deficit	<u>(36,126,421)</u>	<u>(35,097,300)</u>
Total shareholders' equity	<u>289,147</u>	<u>253,562</u>
Total liabilities and shareholders' equity	<u>\$ 1,899,372</u>	<u>\$ 2,111,339</u>

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 13)
Subsequent events (Note 16)

These consolidated financial statements are authorized for issue by the Board of Directors on October 1, 2024. They are signed on the Company's behalf by:

/s/ Nicholas Brusatore
Director

/s/ Rick Easthom
Director

AFFINOR GROWERS INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Presented in Canadian Dollars)

	Years ended	
	May 31,	May 31,
	2024	2023
EXPENSES		
Amortization – intangible assets (Note 5)	\$ 42,997	\$ 45,216
Depreciation – right-of-use asset (Note 9(b))	59,953	59,953
Consulting and subcontractors	22,685	16,880
Depreciation – property and equipment (Note 4)	118,221	139,613
Gain on debt settlement	-	(11,468)
Interest expense (Notes 7 & 9)	11,889	6,713
Investor relations and promotion	-	8,372
Management fees (Note 9)	160,000	160,000
Other income	-	(626)
Other operating expenses	43,756	48,369
Professional fees	254,408	137,945
Registration and information to shareholders	65,195	47,332
Share based compensation (Notes 8 & 9(a))	219,237	-
Wages, employee benefits and training	-	7,443
Loss on disposal of intangible assets (Note 5)	30,780	3,333
Loss and comprehensive loss for the year	\$ (1,029,121)	\$ (669,075)
Basic and diluted loss per common share	\$ (0.04)	\$ (0.03)
Weighted average number of common shares outstanding	28,996,654	25,012,433

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

Share capital						
	Number of shares	Amount	Contributed surplus	Share-based payment reserve	Deficit	Total shareholders' equity
Balance as at May 31, 2022	22,146,365	\$ 27,522,012	\$ 1,364,161	\$ 6,124,722	\$ (34,428,225)	\$ 582,670
Share issuance – private placements	1,550,000	124,000	-	-	-	124,000
Share issuance costs	-	(1,920)	-	-	-	(1,920)
Shares for debt	2,293,550	217,887	-	-	-	217,887
Net loss for the year	-	-	-	-	(669,075)	(669,075)
Balance as at May 31, 2023	25,989,915	27,861,979	1,364,161	6,124,722	(35,097,300)	253,562
Share issuance – private placements	3,000,000	194,000	-	-	-	194,000
Share issuance costs	-	(25,345)	10,925	-	-	(14,420)
Share issuance – exercise of warrants	550,000	55,000	-	-	-	55,000
Share based compensation	-	-	-	219,237	-	219,237
Shares for debt	7,636,111	610,889	-	-	-	610,889
Net loss for the year	-	-	-	-	(1,029,121)	(1,029,121)
Balance as at May 31, 2024	37,176,026	\$ 28,696,523	\$ 1,375,086	\$ 6,343,959	\$ (36,126,421)	\$ 289,147

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

	For the years ended	
	May 31,	May 31,
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (1,029,121)	\$ (669,075)
Item not affecting cash:		
Amortization – intangible assets	42,997	45,216
Depreciation– right-of-use asset	59,953	59,953
Depreciation – property and equipment	118,221	139,613
Interest expense	11,889	6,097
Gain on debt settlement	-	(11,468)
Share based compensation	219,237	-
Loss on disposal of intangible assets	30,780	3,333
Changes in non-cash working capital items:		
Sales tax recoverable	(16,357)	81,262
Accounts receivable	-	13,280
Prepaid expenses	(14,875)	4,592
Accounts payable and accrued liabilities	153,887	26,595
Net cash used in operating activities	<u>(423,389)</u>	<u>(300,602)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	194,000	122,080
Share issuance costs	(14,420)	-
Proceeds from exercise of warrants	55,000	-
Loans received	204,543	178,879
Loans repaid	(15,000)	-
Net cash provided by financing activities	<u>424,123</u>	<u>300,959</u>
Net increase in cash for the year	734	357
Cash, beginning of year	<u>2,172</u>	<u>1,815</u>
Cash, end of year	<u>\$ 2,906</u>	<u>\$ 2,172</u>
Supplementary cash flow information		
Fair value of finder’s warrants	\$ 10,925	\$ -
Shares for debt (Notes 6 & 7)	\$ 610,889	\$ -

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Affinor Growers Inc. (“AGI”) (please see Basis of Consolidation Note 3(a)) is incorporated under the Canada Business Corporations Act and its registered office is 4th Floor, 595 Howe St. Vancouver, BC, Canada, V6C 2TC. These consolidated financial statements include the accounts of its wholly owned subsidiary, Affinor Analytics LLC. (“AALLC”) (together with AGI, the “Company”). The Company’s common shares are listed for trading on the Canadian Securities Exchange (“CSE”), the Frankfurt Stock Exchange and the OTC QB Exchange.

The Company is a vertical farming technology company focused on developing and commercializing economical vertical farming technologies that use less resources (e.g. land, water, and energy resources) to produce pesticide-free produce year-round. The Company’s revenue model includes entering into licensing agreements that provide licensing revenue as well as earnings on sales of its equipment and sale of produce from its production facilities.

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 for the year ended May 31, 2024 incurred operating losses of \$1,029,121 (2023 - \$669,075). At that date the Company had an accumulated deficit of \$36,126,421 (2023 - \$35,097,300) and has relied upon financing primarily from private equity placements and exercise of options and warrants to fund its operations.

The Company’s business plan is dependent on raising additional funds to finance its operations within and beyond the next 12 months. The Company plans to obtain funding through additional equity offerings, sale of its produce and licensing of its technology until it achieves positive cash flows from operations. 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 (See Notes 14 & 16).

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

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance and in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The Company has consistently applied the accounting policies used in preparation of these consolidation financial statements throughout all the period presented. Significant accounting judgements and estimates used by management in the preparation of these consolidated financial statements are presented in note 3.

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of May 31, 2024. These consolidated financial statements were approved and authorized for issue by the Board of Directors on October 1, 2024.

The Company’s Board of Directors have the power to amend the consolidated financial statements after their issuance.

(b) Basis of preparation

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

3. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of consolidation

The Company's consolidated financial statements consolidate those of AGI and its inactive, wholly-owned subsidiary AALLC. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

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

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

Profit and loss and other comprehensive income of subsidiaries acquired or disposed of during the reporting period are recognized from the effective date of the acquisition, or up to the effective date of disposal, as applicable.

(b) Foreign currency translation

The Company assesses functional currency on an entity-by-entity basis based on the related fact pattern. However, the presentation currency used in these consolidated financial statements is determined at management's discretion.

The functional currency of AGI, and the presentation currency applicable to these consolidated financial statements, is the Canadian dollar. The functional currency of the Company's subsidiary is the Canadian dollar. Currently, the Company's subsidiary is inactive.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each statement of financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign currency translation differences are recognized in profit or loss.

(c) Cash and cash equivalents

Cash equivalents include money market instruments which are readily convertible into cash or have maturities at the date of purchase of less than ninety days. As at May 31, 2024 and 2023, the Company did not have any cash equivalents.

(d) Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(d) Property and equipment *(Continued)*

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

Greenhouse	10 years straight line
Growing equipment	30% declining balance
Computer equipment	30% declining balance
Lighting equipment	10% declining balance
Office equipment	20% declining balance

Depreciation commences when the assets are available for their intended use.

Property and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive loss.

(e) Right-of-use assets and lease liability

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company then recognizes a right-of-use asset ("RUA") and a lease liability at the lease commencement date. The RUA is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the RUA or the lease term using the straight-line method. The lease term includes periods by an option to extend if the Company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, the amount of the remeasurement is recognized as a corresponding adjustment to the carrying amount of the RUA or is recorded in profit or loss if the carrying amount of the RUA has been reduced to zero.

(f) Intangible assets

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(f) Intangible assets *(Continued)*

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive loss in the expense category consistent with the function of the intangible assets. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets with finite lives are amortized annually on a straight-line basis. The Company holds five patents with effective lives of 15 - 20 years each and remaining lives of 12 - 16 years. The patents are amortized over the effective lives of the patents. Costs incurred for patents which are pending or are in the process of being developed are amortized over the remaining life of the patent when the patent is issued.

(g) Impairment of property and equipment and intangible assets (excluding goodwill)

Property and equipment and finite life intangible assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and the impairment loss is recognized immediately in profit or loss for the period. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment loss had previously been recognized. A reversal is recognized immediately in profit or loss for the period.

(h) Share capital

Proceeds from the issuance of common shares are classified as equity on the consolidated statements of financial position. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from share capital.

The proceeds from the issuance of units comprised of shares and warrants are allocated between common shares and reserves based on the residual value method. Under this method, the proceeds are allocated to the shares based on their fair value and the residual value is allocated to the warrants.

(i) Provisions

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

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(j) Revenue recognition

The Company follows a five-step model for the recognition of revenue when control of goods is transferred to, or a service is performed for, the customer. The five steps are to: identify the contract(s) with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to each performance obligation; and recognize revenue as each performance obligation is satisfied.

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

(k) Share-based payment transactions

The Company's share option plan allows the Company's directors, officers, employees and consultants to acquire shares of the Company. The fair value of options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted, the estimated volatility, estimated risk free rate and estimated forfeitures.

If a grant of the share-based payments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Company accounts for the cancellation or settlement as an acceleration of vesting, and recognizes immediately the amount that otherwise would be recognized for services over the remainder of the vesting period.

The amount recognized for goods or services received during the vesting period are based on the best available estimate of the number of equity instruments anticipated to vest. The Company revises that estimate, if necessary, if subsequent information indicates that the number of share options anticipated to vest differs from the previous estimates. On vesting date, the Company revises the estimate to equal the number of equity instruments that ultimately vested. After vesting date, the Company make no subsequent adjustment to total equity for goods or services received if the share options are later forfeited or they expire at the end of the share option's life.

If a grant of the share based payment is modified during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) and the fair value of the new instruments is higher than the fair value of the original instrument, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from modification date until the date when the modified equity instruments vests, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period of the original instrument.

Upon expiration of options, the amount applicable to expired options is moved to contributed surplus.

(l) Income taxes

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(m) Financial instruments

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

At initial recognition, financial assets are measured at fair value and classified as subsequently measured at amortized cost, fair value through other comprehensive income (“FVTOCI”) or fair value through profit or loss (“FVTPL”). The classification depends on the purpose for which the financial assets were acquired, the business model in which they are managed and their cash flow characteristics. At initial recognition, financial liabilities are measured at fair value and classified as, subject to certain exceptions, subsequently measured at amortized cost. For financial assets and financial liabilities not at FVTPL, fair value is adjusted for transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in the statement of comprehensive loss.

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

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

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

Financial liabilities

The Company classifies its financial liabilities at amortized cost or FVTPL.

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

Account	Classification
Cash	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loan payable	Amortized cost
Lease liability	Amortized cost

Reclassifications

The Company would reclassify a financial asset when the Company changes its business model for managing the financial asset. All reclassifications are recorded at fair value at the date of the reclassification, which becomes the new carrying value.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(m) Financial instruments *(Continued)*

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new assets obtained less any new liability assumed) and (ii) cumulative gain or loss that had been recognized in other comprehensive loss is recognized in profit or loss.

The Company derecognizes a financial liability when its obligations are discharged or cancelled or expired.

Modification of financial assets and financial liabilities

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amounts as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

Impairment

At each reporting date, the Company assess whether financial assets carried at amortized costs and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default of past due event;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(m) Financial instruments *(Continued)*

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other impairment.

The Company recognizes a loss allowance for expected credit losses ("ECL") on trade receivable that are measured at amortized costs. The Company applied the simplified approach for trade receivables and recognizes the lifetime ECL for these assets. The ECL on trade receivables is estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the customers, general economic conditions and an assessment of both the current as well as the forecasted direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets measured at amortized costs, the Company recognizes lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on such financial instruments has not increased significantly since initial recognition, the Company measures the loss allowance on those financial instruments at an amount equal to 12-months ECL.

Lifetime ECL, represents the ECL that will result from all possible default events over the expected life of a financial asset. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial asset that are possible within 12 months after the reporting date. In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial asset at the reporting date with the risk of default occurring at initial recognition. The Company considers both quantitative and qualitative factors that are supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the above assessment, the Company presumes that the credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Company presumes that the credit risk on a financial asset has not increase significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management purposes, the Company considers a financial asset not recoverable if the customer balance owing is 180 days past due and information obtained from the customer and other external factors indicate that the customer is unlikely to pay its creditors in full.

Write-off

Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures of recovery of amounts due.

(o) Loss per share

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

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(p) Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and further periods if the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated statement of financial position date that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical judgments

- (i) Going concern – Evaluation of the ability of the Company to realize its strategy for funding its future needs for working capital involves making judgments.
- (ii) Useful life of intangible assets – Management has judgementally used the maximum legal life of the patents as the useful life of the intangible assets for purposes of amortization.
- (iii) Impairment of intangible assets – The determination that there are no indicators of impairment indicating that the carrying amount exceeds the recoverable amount.

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

Significant estimates and assumptions

- i. Costs of defence – as management is not able to determine the amount of legal fees that will ultimately be covered pursuant to the Notice of Civil Claim with any degree of certainty, any legal fees covered will be recorded as a recovery in the period of final adjudication (see Note 13).
- (q) New standards, amendments and interpretations not yet adopted

IAS 1, Presentation of Financial Statements ("IAS 1") - Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to IAS 1. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Company adopted this amendment as of June 1, 2024 with no impact on its consolidated financial statements.

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the Company's consolidated financial statements.

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4. PROPERTY AND EQUIPMENT

	Growing equipment	Computer equipment	Lighting equipment	Greenhouse	Office equipment	Total
Cost						
As at May 31, 2022, 2023 and May 31, 2024	\$ 285,823	\$ 5,438	\$ 71,289	\$ 637,935	\$ 5,863	\$ 1,006,348
As at May 31, 2022	\$ 55,668	\$ 5,438	\$ 3,564	\$ 46,670	\$ 5,863	\$ 117,203
Depreciation	69,046	-	6,773	63,794	-	139,613
As at May 31, 2023	124,714	5,438	10,337	110,464	5,863	256,816
Depreciation	48,333	-	6,095	63,793	-	118,221
As at May 31, 2024	\$ 173,047	\$ 5,438	\$ 16,432	\$ 174,257	\$ 5,863	\$ 375,037
Net book value						
As at May 31, 2023	\$ 161,109	\$ -	\$ 60,952	\$ 527,471	\$ -	\$ 749,532
As at May 31, 2024	\$ 112,776	\$ -	\$ 54,857	\$ 463,678	\$ -	\$ 631,311

5. INTANGIBLE ASSETS

	Patents	Patents Pending	Total
Cost			
As at May 31, 2022	\$ 1,159,326	\$ 53,634	\$ 1,212,960
Additions	-	19,163	19,163
Disposal	-	(3,333)	(3,333)
As at May 31, 2023	1,159,326	69,464	1,228,790
Additions	-	8,018	8,018
Disposal	(18,511)	(12,269)	(30,780)
Reclassification	23,797	(23,797)	-
As at May 31, 2024	\$ 1,164,612	\$ 41,416	\$ 1,206,028
Accumulated amortization			
As at May 31, 2022	\$ 346,065	\$ -	\$ 346,065
Amortization	45,216	-	45,216
As at May 31, 2023	391,281	-	391,281
Amortization	42,997	-	42,997
As at May 31, 2024	\$ 434,278	\$ -	\$ 434,278
Net book value			
As at May 31, 2023	\$ 768,045	\$ 69,464	\$ 837,509
As at May 31, 2024	\$ 730,334	\$ 41,416	\$ 771,750

As at May 31, 2024, 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 (Aruba, Canada, Colombia, United States, South Africa)
- Agricultural and Horticultural Growing Tower (Canada); and
- Growing Tower (United States).

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5. INTANGIBLE ASSETS *(Continued)*

Patents Pending

Patents were pending for certain of the above-noted patents in various countries including EU, United States and United Arab Emirates.

During the year ended May 31, 2024, the Company disposed intangible assets of \$30,780 (2023 - \$3,333).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	May 31, 2024	May 31, 2023
Accounts payable	\$ 973,335	\$ 987,860
Accrued liabilities	-	96,100
	<u>\$ 973,335</u>	<u>\$ 1,083,960</u>

During year ended May 31, 2024, the Company settled \$272,530 accounts payable by issuance of 3,406,628 units of the Company with each unit consisting of one common share and one common share purchase warrant (see notes 8 and 9).

7. LOANS PAYABLE

Loans payable consists of the following:

	May 31, 2024	May 31, 2023
Unsecured loan, bearing interest at 8% per annum, and has no fixed terms of repayment ⁽ⁱ⁾	\$ 7,923	\$ 7,923
Non-interest-bearing unsecured loan from the CEO ⁽ⁱⁱ⁾	-	13,955
Unsecured loan, bearing interest at 8% per annum	-	10,205
Unsecured loan, bearing interest at 8% per annum	-	102,016
Unsecured loan, bearing interest at 8% per annum, and repayable on September 2, 2023 (Note 14)	39,668	51,008
	<u>\$ 47,591</u>	<u>\$ 185,107</u>

During the year ended May 31, 2024, the Company:

- i) received additional \$80,000 in interest bearing loans and accrued total interest of \$11,300 on loans (2023 – \$3,228).
- ii) recorded an unsecured loan payable to the CEO of \$124,543 for payments made by the CEO on behalf of the Company. The loan is interest-free and has no fixed terms of repayment.
- iii) settled loan amounts of \$338,359 by issuance of 4,229,483 units of the Company with each unit consisting of one common share and one common share purchase warrant (see notes 8 and 9).

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8. SHARE CAPITAL AND RESERVES

(a) Authorized:

At May 31, 2024 and 2023, the authorized share capital was comprised of an unlimited number of common shares.

(b) Share issuances:

During the year ended May 31, 2024, the Company,

- i) completed a private placement for 1,000,000 units at \$0.08 per unit for total proceeds of \$80,000. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.10 until February 7, 2026. The Company paid \$4,000 and issued 50,000 finder's warrants valued at \$3,049 as finders' fees. Each finder's warrant is exercisable into one common share of the Company at \$0.10 through February 7, 2026. Under the residual value approach, \$Nil was assigned to the warrant component of the units.
- ii) settled \$610,889 of debt (accounts payable of \$272,530 and loans payable of \$338,359) by issuing 7,636,111 units of the Company (see notes 6 and 7). Each unit consists of one common share and one common share purchase warrant exercisable at \$0.10 until February 7, 2026. Under the residual value approach, \$Nil was assigned to the warrant component of the units.
- iii) completed a private placement for 1,300,000 units at \$0.05 per unit for total proceeds of \$65,000. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.10 until March 21, 2026. The Company paid \$6,500 and issued 130,000 finder's warrants valued at \$7,876 as finders' fees. Each finder's warrant is exercisable into one common share of the Company at \$0.10 until March 21, 2026. Under the residual value approach, \$Nil was assigned to the warrant component of the units.
- iv) completed a private placement for 700,000 units at \$0.07 per unit for total proceeds of \$49,000. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.10 until May 9, 2026. The Company paid \$3,920 as finders' fees. Each warrant is exercisable into one common share of the Company at \$0.10 until May 9, 2026. Under the residual value approach, \$Nil was assigned to the warrant component of the units.
- v) issued 550,000 common shares pursuant to the exercise of warrants for gross proceeds of \$55,000.

During the year ended May 31, 2023, the Company,

- i) settled \$229,355 of debt by issuing 2,293,550 units of the Company (Note 7). Each unit consists of one common share and one common share purchase warrant that was exercisable at \$0.15 until August 2, 2023. Under the residual value approach, \$Nil was assigned to the warrant component of the units.
- ii) completed a private placement for 1,550,000 units at \$0.08 per unit for total proceeds of \$124,000. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.10 until October 12, 2024. The Company paid \$1,920 as finders' fees. Each finder's warrant is exercisable into one common share of the Company at \$0.10 until October 12, 2024. Under the residual value approach, \$Nil was assigned to the warrant component of the units.

(c) Warrants:

The continuity of warrants for the year ended May 31, 2024 is as follows:

Expiry date	Exercise price	As at May 31, 2023	Issued	Exercised	Expired	As at May 31, 2024
August 4, 2023	\$ 0.15	2,293,550	-	-	(2,293,550)	-
January 14, 2024	\$ 0.50	1,043,001	-	-	(1,043,001)	-
February 7, 2026	\$ 0.10	-	7,636,111	(550,000)	-	7,086,111
February 7, 2026	\$ 0.10	-	1,050,000	-	-	1,000,000
March 21, 2026	\$ 0.10	-	1,430,000	-	-	1,300,000
May 9, 2026	\$ 0.10	-	700,000	-	-	700,000
October 12, 2024*	\$ 0.10	1,550,000	-	-	-	1,550,000
Outstanding		4,886,551	10,816,111	(550,000)	(3,336,551)	11,816,111
Weighted average exercise price	\$	0.21	\$ 0.10	\$ 0.10	\$ 0.26	\$ 0.10

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8. SHARE CAPITAL AND RESERVES (Continued)

(c) Warrants (Continued):

*The expiry date on these warrants was amended on September 18, 2024 from October 12, 2024 to October 12, 2027 (see note 16).

As of May 31, 2024, the weighted average contractual life is 1.55 years (2023 – 0.65 years).

The continuity of warrants for the year ended May 31, 2023 is as follows:

Expiry date	Exercise price	As at May 31, 2022	Issued	Expired	As at May 31, 2023
August 21, 2022	\$ 0.60	1,274,456	-	(1,274,456)	-
February 26, 2023*	\$ 0.50	2,871,428	-	(2,871,428)	-
August 4, 2023	\$ 0.15	-	2,293,550	-	2,293,550
January 14, 2024	\$ 0.50	1,043,001	-	-	1,043,001
October 12, 2024	\$ 0.10	-	1,550,000	-	1,550,000
Outstanding		5,188,885	3,843,550	(4,145,884)	4,886,551
Weighted average exercise price	\$	0.52	\$ 0.13	\$ 0.53	\$ 0.21

*Expiry date amended from February 26, 2022 to February 26, 2023

The weighted average assumptions used to estimate the fair value of finders' warrants for the year ended May 31, 2024 and 2023 were:

	Year ended May 31, 2024	Year ended May 31, 2023
Exercise price	\$0.10	-
Risk-free interest rate	4.14%	-
Expected life	2.00 years	-
Expected volatility	171.53%	-

(e) 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). 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.

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8. SHARE CAPITAL AND RESERVES *(Continued)*

A summary of changes in the Company's common share purchase options for the year ended May 31, 2024 is as follows:

Expiry date	Exercise price	As at May 31, 2023	Issued	Expired/Cancelled/Forfeited	As at May 31, 2024
May 10, 2025	\$ 0.50	200,000	-	-	200,000
December 29, 2025	\$ 0.10	-	1,190,000	-	1,190,000
May 10, 2027	\$ 0.10	-	1,000,000	-	1,000,000
July 25, 2031	\$ 0.40	450,000	-	-	450,000
August 10, 2031	\$ 0.50	100,000	-	-	100,000
November 2, 2031	\$ 0.50	100,000	-	-	100,000
November 2, 2031	\$ 0.30	400,000	-	-	400,000
December 7, 2031	\$ 0.50	100,000	-	-	100,000
February 22, 2032	\$ 0.40	50,000	-	-	50,000
Outstanding		1,400,000	2,190,000	-	3,590,000
Options exercisable		1,400,000	2,190,000	-	3,590,000
Weighted average exercise price	\$	0.41	\$ 0.10	\$ -	\$ 0.27

As at May 31, 2024, the weighted average remaining life is 3.85 years (2023 – 7.42 years)

A summary of changes in the Company's common share purchase options for the year ended May 31, 2023 is as follows:

Expiry date	Exercise price	As at May 31, 2022	Issued	Expired/Cancelled/Forfeited	As at May 31, 2023
May 10, 2025	\$ 0.50	200,000	-	-	200,000
July 25, 2031	\$ 0.40	650,000	-	(200,000)	450,000
August 10, 2031	\$ 0.50	100,000	-	-	100,000
November 2, 2031	\$ 0.50	100,000	-	-	100,000
November 2, 2031	\$ 0.30	400,000	-	-	400,000
December 7, 2031	\$ 0.50	100,000	-	-	100,000
February 22, 2032	\$ 0.40	50,000	-	-	50,000
Outstanding		1,600,000	-	(200,000)	1,400,000
Options exercisable		1,600,000	-	(200,000)	1,400,000
Weighted average exercise price	\$	0.41	\$ -	\$ 0.40	\$ 0.41

8. SHARE CAPITAL AND RESERVES *(Continued)*

(e) Share Purchase Options Compensation Plan *(Continued)*:

The weighted average assumptions used to estimate the fair value of options for the year ended May 31, 2024 and 2023 were:

	Year ended May 31, 2024	Year ended May 31, 2023
Exercise price	\$0.10	-
Risk-free interest rate	4.01%	-
Expected life	2.46 years	-
Expected volatility	167.29%	-

All options issued during the year vested immediately.

9. RELATED PARTY TRANSACTIONS

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

(a) **Transactions with key management personnel**

	For the year ended May 31, 2024	For the year ended May 31, 2023
Management fees	\$ 160,000	\$ 160,000
Share based compensation	40,360	-
	<u>\$ 200,360</u>	<u>\$ 160,000</u>

At May 31, 2024, the Company had the following amounts owing to related parties:

- i) accounts payable of \$35,784 (2023 - \$157,167) owing to the CEO of the Company.
- ii) accounts payable of \$68,250 (2023 - \$68,250) owing to a former director of the Company.
- iii) loan payable to the CEO of \$Nil (2023 - \$13,955). The amount was non-interest bearing (Note 7).

During the year ended May 31, 2024, the Company issued 4,387,862 shares to settle \$138,498 loan payable and \$212,530 accounts payable owing to the CEO of the Company.

(b) **Industrial Lease**

The lease is with a director and officer of the Company.

The Company paid a \$5,000 security deposit and gross rent during the term is \$81,000 per year until 2031, payable monthly commencing August 2024.

9. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Industrial Lease *(Continued)*

RUA/Lease Liability

The continuity of RUA is as follows:

May 31, 2022	\$	567,054
Depreciation		(59,953)
May 31, 2023		507,101
Depreciation		(59,953)
May 31, 2024	\$	447,148

The continuity of lease liabilities is as follows:

Lease liability, May 31, 2022	\$	588,121
Interest expense		589
Lease liability, May 31, 2023		588,710
Interest expense		589
Lease liability, May 31, 2024	\$	589,299
Current lease liability	\$	66,310
Long term lease liability	\$	522,989

The Company is responsible for utilities and services to the Greenhouse.

The Company has not made any lease payments since inception and accrued interest expense in arrears of \$589 (2023 - \$589) for the year ended May 31, 2024. It was agreed by the Landlord that the lease will remain in good standing while maintaining the same terms.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company has classified its financial instruments as follows:

The fair values of the Company's cash, due from related parties, accounts payable and accrued liabilities, loans payable and interest payable approximate their carrying values because of the short-term nature of these instruments.

The Company has categorized its financial instruments that are carried at fair value, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three-level fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has no financial instruments at FVTPL.

The Company's financial instruments are exposed to certain financial risks, including market risk, liquidity risk, credit risk and currency risk.

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

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.

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 May 31, 2024, the Company had current liabilities of \$1,020,926 (2023 - \$1,269,067), the majority of which have contractual maturities of less than 30 days and are subject to normal trade terms. As at May 31, 2024, the Company has a working capital deficiency of \$1,038,073 (2023 - \$1,251,870). The ability of the Company to continue its activities relies upon the support of its suppliers and obtaining additional financing.

The following table summarizes the maturities of the Company's financial liabilities as at May 31, 2024 and 2023 based on undiscounted cash flows:

	Payment due period				Total
	<1 year	2-3 years	4-5 years	>5 years	
Accounts payable and accrued liabilities	973,335				973,335
Loans payable	47,591				47,591
Lease liabilities	66,875	162,000	162,000	199,125	590,000
May 31, 2024	1,087,801	162,000	162,000	199,125	1,610,926

	Payment due period				Total
	<1 year	2-3 years	4-5 years	>5 years	
Accounts payable and accrued liabilities	1,083,960				1,083,960
Loans payable	185,107				185,107
Lease liabilities		162,000	162,000	266,000	590,000
May 31, 2023	1,269,067	162,000	162,000	266,000	1,859,067

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 which is held with a Canadian chartered bank and management considers this risk to be negligible.

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 investment and management considers this risk to be negligible.

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.

11. MANAGEMENT OF CAPITAL RISK *(Continued)*

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 year.

12. SEGMENTED FINANCIAL INFORMATION

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

13. COMMITMENTS AND CONTINGENCIES

The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. The Company assesses its potential liability by analyzing its litigation and regulatory matters using available information. The Company develops its views on estimated losses in consultation with outside counsel handling its defense in these matters, which involves an analysis of potential results, assuming a combination of litigation and settlement strategies. Should developments in any of these matters cause a change in its determination as to an unfavorable outcome and result in the need to recognize a material accrual or should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on its results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs.

Regulatory matter

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 was 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 (Note 16).

Subsequent to May 31, 2024, the BCSC issued its decision to dismissed allegations against the Company, the Company's CEO, the Company's former CFO and a former director on this application (See Note 16).

14. FRESHBAY INC. – AGRICULTURE TECHNOLOGY AGREEMENT

On June 16, 2023, the Company entered into an Agriculture Technology Agreement (the “Definitive Agreement”) with Freshbay, Inc. (“Freshbay”).

Pursuant to the terms and conditions of the Definitive Agreement, Freshbay engaged the Company to provide certain products and services for use at Freshbay’s geothermal agricultural site located in Hinton, Alberta. As consideration for the products and services to be provided by the Company, Freshbay agreed to make an aggregate payment of \$135,757,350 (the “Contract Price”). Prior to paying any portion of the Contract Price, it is a condition precedent that (a) Freshbay obtain adequate financing to pay the Contract Price, and (b) the parties agree to a work schedule for the project.

On May 10, 2024, the Company entered into an amending agreement whereby grant Freshbay the option to exercise exclusive right and license to use and exploit certain patent, know-how associated therewith, and certain industrial designs held by the Company (collectively, the “Licensed IP”) in accordance with the terms and conditions of the amendment as follows:

- i) \$21,000,000 (“Funding Installment”) on such date that Freshbay receives any funding from an institutional investor in connection with the Project Solution (as defined in the Agricultural Technology Agreement). Notwithstanding the foregoing, full Funding Instalment is due and payable on a date that is six months upon the effective date of the amending agreement.
- ii) \$12,500,000 on such date that is the earliest of (i) six months from the date of the first shipment of any strawberries produced in connection with the Licensed IP, or (ii) June 16, 2025.

In connection with the amending agreement, the Company has also entered into a finder’s fee agreement with an arm’s length finder pursuant to which the Company will pay a finder’s fee of \$8,250,000 in consideration for the services provided by the finder in facilitating discussions between the Company and Freshbay in connection with the transaction. The Finder’s Fee shall become payable from the Company upon the Company receiving the Funding Instalment from Freshbay pursuant to the terms and conditions of the amendments.

In connection with the agreement the Company received an unsecured loan of \$35,000 from Freshbay (See Note 8).

15. INCOME TAXES

The Company is subject to income taxes in Canada. The recovery of income taxes varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before taxes as follows:

	2024	2023
	27.00%	27.00%
Loss before income taxes for the year	\$ (1,029,121)	\$ (669,075)
Income tax benefit computed at statutory rates	(277,863)	(180,650)
Write-off of intangible assets	8,157	-
Share issuance costs	(3,893)	(2,497)
Share based compensation	59,194	-
Other	(3,844)	6,698
Change in tax assets not recognized	218,249	176,449
Income tax recovery	\$ -	\$ -

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

	2024	2023
Non-capital and net capital losses carried forward	\$ 6,466,704	\$ 6,261,207
Share issue costs	5,756	5,147
Property and equipment and intangible assets	(34,075)	(46,218)
	\$ 6,438,385	\$ 6,220,136

15. INCOME TAXES *(Continued)*

The Company has non-capital losses of approximately \$23,802,420 (2023 - \$23,041,320) which are available to reduce taxes in future periods, for which no deferred income tax asset has been recognized in the consolidated statement of financial position, that expire in the following years:

2025	\$	2,000
2026		189,000
2027		448,000
2028		345,000
2029		139,000
2030		37,000
2031		63,000
2032		87,000
2033		205,000
2034		5,036,000
2035		3,780,000
2036		977,000
2037		1,376,000
2038		4,794,000
2039		1,176,000
2040		1,219,000
2041		1,398,000
2042		1,102,120
2043		668,200
2044		761,100
		761,100
	\$	23,802,420

16. SUBSEQUENT EVENTS

(a) Resolution of regulatory matter –

On June 25, 2024, the BCSC issued its decision to dismiss allegations against the Company, the Company’s CEO, the Company’s former CFO and a former director on this application (note 13).

(b) Extension of warrants –

On September 18, 2024, the Company extended the expiry of 1,550,000 form October 12, 2024 to October 12, 2027 (see note 8).

(c) Agriculture technology agreement

On September 1, 2024 the Company entered into an Agriculture Technology Agreement with FARMX Produce Inc. (“FARMX”) . Under the Agreement, the Company granted FARMX the right to use and exploit the Company’s industrial designs for the cultivation of romaine lettuce and other leafy greens (the “Licensed IP”) and certain know-how associated therewith, as follows:

- i) 2 year exclusive right to use and exploit the Licensed IP in British Columbia (“Exclusive License”).
- ii) 20 year non-exclusive right to use and exploit the Licensed IP in Canada (excluding British Columbia) (“Non-exclusive License” and together with the Exclusive License, the “Licenses”)

16. SUBSEQUENT EVENT *(Continued)*

Pursuant to terms and conditions of the Agreement, the Licenses granted and FARMX's right to use the Licensed IP is subject to the following conditions:

- i) FARMX is to exclusively source and purchase any equipment required to use the Licensed IP, including but not limited to vertical towers, greenhouses and any other equipment required to utilize the Licensed IP (the "Equipment"), from the Company (unless the Company, in its sole discretion waives the right to be the exclusive equipment provider for any Equipment).
- ii) FARMX is to purchase the necessary Equipment from the Company required to use the Licensed IP for a minimum 60,000 square foot facility in British Columbia at a price to be determined.

Within 6 months of the September 1, 2024 of the Agreement, FARMX is to either (i) purchase Equipment for a minimum 60,000 square foot facility, or (ii) pay the Company a non-refundable deposit of \$5,000,000 (the "Deposit"), which is to be applied towards FARMX's payment for its purchase of the Equipment. However, if FARMX has not made the purchase of Equipment as required and has not paid the Deposit, then the Company has the right to either allow FARMX another six months to make the required purchase of the Equipment or else to terminate the Exclusive License. such that FARMX's rights shall convert to non-exclusive.