

FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: Affinor Growers Inc. (the “Issuer”).

Trading Symbol: AFI

This Quarterly Listing Statement must be posted on or before the day on which the Issuer’s unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer’s first, second and third fiscal quarters. This statement is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term “Issuer” includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS FOR THE PERIOD ENDED AUGUST 31, 2023

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period, **N/A**

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid

(b) summary of options granted during the period, **N/A**

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,
- (b) number and recorded value for shares issued and outstanding,
- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

**SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS FOR THE PERIOD
ENDED AUGUST 31, 2023.**

Provide Interim MD&A if required by applicable securities legislation.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated December 22, 2023.

Nick Brusatore
Name of Director or Senior Officer

"Nick Brusatore"
Signature

CEO
Official Capacity

Issuer Details		For Quarter Ended	Date of Report
Name of Issuer		August 31,2023	YY/MM/D 23/12/22
Affinor Growers Inc.			
Issuer Address 250-750 West Pender Street			
City/Province/Postal Code		Issuer Fax No.	Issuer Telephone No.
Vancouver, BC V6C 2T7		N/A	(604) 356-0411
Contact Name		Contact Position	Contact Telephone No.
Nick Brusatore		CEO	(604)-356-0411
Contact Email Address		Web Site Address	
info@affinorgrowers.com		www.affinorgrowers.com	

Schedule "A"

AFFINOR GROWERS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED AUGUST 31, 2023 AND 2022

Presented in Canadian Dollars

(Unaudited – Prepared by Management)

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

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.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Presented in Canadian Dollars)
(Unaudited – Prepared by Management)

	August 31, 2023	May 31, 2023
ASSETS		
Current assets		
Cash	\$ 3,201	\$ 2,172
Sales tax receivable	13,078	10,023
Prepaid expenses and deposit	5,000	5,000
Due from related parties	2	2
	<u>21,281</u>	<u>17,197</u>
Non-current assets		
Property and equipment (Notes 4 & 10)	719,977	749,532
Intangible assets (Note 5)	818,283	837,509
Right of use asset (Note 9(ii))	497,109	507,101
	<u>2,035,369</u>	<u>2,094,142</u>
Total assets	<u>\$ 2,056,650</u>	<u>\$ 2,111,339</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Notes 6, 9 & 13)	\$ 1,160,862	\$ 1,083,960
Loans payable (Notes 7 & 9)	228,807	185,107
	<u>1,389,669</u>	<u>1,269,067</u>
Non-current liabilities		
Lease liability (Note 9(ii))	588,857	588,710
Total Liabilities	<u>1,978,526</u>	<u>1,857,777</u>
Shareholders' equity		
Share capital (Note 8)	27,861,979	27,861,979
Contributed surplus (Note 8)	1,364,161	1,364,161
Share-based payment reserve (Note 8)	6,124,722	6,124,722
Deficit	(35,272,738)	(35,097,300)
Total shareholders' equity	<u>78,124</u>	<u>253,562</u>
Total liabilities and shareholders' equity	<u>\$ 2,056,650</u>	<u>\$ 2,111,339</u>

Nature of Operations and Going Concern (Note 1)
Commitments and contingencies (Note 13)

These condensed interim consolidated financial statements are authorized for issue by the Board of Directors on November 29, 2023. They are signed on the Company's behalf by:

/s/ Nicholas Brusatore
Director

/s/ Rick Easthom
Director

AFFINOR GROWERS INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

FOR THE THREE MONTHS ENDED AUGUST 31,

(Presented in Canadian Dollars)

(Unaudited – Prepared by Management)

	2023	2022
EXPENSES		
Amortization - intangible assets	\$ 10,676	\$ 11,304
Amortization - right of use asset	9,992	14,988
Consulting and subcontractors	-	5,305
Depreciation - property and equipment	29,555	34,903
Gain on debt settlement	-	(11,468)
Interest expense	3,847	2,426
Investor relations and promotion	-	10,471
Management fees	40,000	40,000
Other income	-	(11,970)
Other operating expenses	673	16,838
Professional fees	51,129	38,889
Registration and information to shareholders	17,297	15,256
Wages, employee benefits and training	-	7,443
Write-off of intangible assets	12,269	-
Loss and comprehensive loss for the period	\$ (175,438)	\$ (174,385)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	25,989,915	23,766,808

AFFINOR GROWERS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Presented in Canadian Dollars)
(Unaudited – Prepared by Management)

	Share capital						
	Number of shares	Amount	Contributed surplus	Share-based payment reserve	Deficit	Total equity	
Balance as at May 31, 2022	22,146,365	\$ 27,522,012	\$ 1,364,161	\$ 6,124,722	\$ (34,428,225)	\$ 582,670	
Shares for debt	2,293,550	217,887	-	-	-	217,887	
Net loss for the period	-	-	-	-	(174,385)	(174,385)	
Balance as at August 31, 2022	24,439,915	27,739,899	1,364,161	6,124,722	(34,602,610)	626,172	
Share issuance – Private placements	1,550,000	124,000	-	-	-	124,000	
Share issuance costs	-	(1,920)	-	-	-	(1,920)	
Net loss for the period	-	-	-	-	(494,690)	(494,690)	
Balance as at May 31, 2023	25,989,915	27,861,979	1,364,161	6,124,722	(35,097,300)	253,562	
Net loss for the period	-	-	-	-	(175,438)	(175,438)	
Balance as at August 31, 2023	25,989,915	\$ 27,861,979	\$ 1,364,161	\$ 6,124,722	\$ (35,272,738)	\$ 78,124	

AFFINOR GROWERS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED AUGUST 31,
(Presented in Canadian Dollars)
(Unaudited – Prepared by Management)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (175,438)	\$ (174,385)
Item not affecting cash:		
Amortization - intangible assets	10,676	11,304
Amortization - right of use asset	9,992	14,988
Depreciation - property and equipment	29,555	34,903
Interest expense	3,847	2,426
Gain on debt settlement	-	(11,468)
Write-off of intangible assets	12,269	-
Changes in non-cash working capital items:		
Accounts receivable	(3,055)	(6,680)
Prepaid expenses and deposit	-	4,592
Accounts payable and accrued liabilities	73,183	117,787
Net cash used in operating activities	(38,971)	(6,533)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans received	40,000	7,505
Net cash provided by financing activities	40,000	7,505
Net increase in cash for the period	1,029	972
Cash, beginning of period	2,172	1,815
Cash, end of period	\$ 3,201	\$ 2,787

AFFINOR GROWERS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

AUGUST 31, 2023 AND 2022

(Presented in Canadian Dollars)

(Unaudited – prepared by Management)

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Affinor Growers Inc. (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 condensed interim consolidated financial statements include the accounts of its wholly owned subsidiary, Affinor Analytics LLC. (together, the “Company”). The Company is listed 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.

On December 20, 2022, trading in the shares of the Company was suspended as a result of the British Columbia and Ontario Securities Commissions (the “Commissions”) issuing a cease trade order against the Company for failing to meet continuous disclosure requirements. These condensed interim consolidated financial statements retrospectively reflect the 10-1 share consolidation that occurred June 20, 2022.

These condensed interim 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 three months ended August 31, 2023 incurred operating losses of \$175,438 (2022 - \$174,385) and at that date had accumulated deficit of \$35,272,738 (May 31, 2023 - \$35,097,300). It has relied upon financing primarily from private equity placements and exercise of options and warrants to fund its operations. 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.

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

These condensed interim 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 interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), and on a basis consistent with the accounting policies disclosed in the Company’s annual audited financial statements for the year ended May 31, 2023.

b) Basis of preparation

Depending on the applicable IFRS requirements, the measurement basis used in the preparation of these condensed interim 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.

These condensed interim consolidated financial statements have been prepared on the basis of IFRS standards that are in effect at the issue time.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The Company's consolidated financial statements consolidate those of the Company and its inactive, wholly-owned subsidiary Affinor Analytics LLC. 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 the subsidiary 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 the parent company, and the presentation currency applicable to these consolidated financial statements, is the Canadian dollar.

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, 2023 and 2022, 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(d) Property and equipment (*Continued*)

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 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.

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.

AFFINOR GROWERS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

AUGUST 31, 2023 AND 2022

(Presented in Canadian Dollars)

(Unaudited – prepared by Management)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(f) Intangible assets** *(Continued)*

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) Derivative liability

The Company evaluates its convertible debt, options, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for. This accounting treatment requires that the carrying amounts of embedded derivatives be marked-to-market at each statement of financial position date and carried at fair value. In the event that the fair value is recorded as a liability, the change in fair value during the period is recorded in the statement of comprehensive loss as either income or expense. Upon conversion, exercise or modification to the terms of a derivative instrument, the instrument is marked to fair value at the conversion date and then the related fair value is reclassified to equity.

In circumstances where the embedded conversion option in a convertible instrument is required to be bifurcated and there are also other embedded derivative instruments in the convertible instrument that are required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

The classification of financial instruments, including whether such instruments should be recorded as liabilities or as equity, is reassessed at the end of each reporting period. Equity instruments that are initially classified as equity that become subject to reclassification are reclassified to liability at the fair value of the instrument on the reclassification date. Derivative instrument liabilities will be classified in the statement of financial position as current or non-current based on whether or not net-cash settlement of the derivative instrument is expected within 12 months of the balance sheet date.

This exercise affects the accounting for (i) certain freestanding warrants that contain exercise price adjustment features, (ii) convertible notes containing full-ratchet and anti-dilution protections and (iii) certain free-standing warrants that contain contingently puttable cash settlement.

(i) 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.

AFFINOR GROWERS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

AUGUST 31, 2023 AND 2022

(Presented in Canadian Dollars)

(Unaudited – prepared by Management)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(j) 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.

(k) 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.

(l) 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.

(m) 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.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*(m) Income taxes *(Continued)*

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.

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.

(n) 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.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*(n) Financial instruments *(Continued)*

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

Account	Classification
Cash	Amortized cost
Accounts receivable (excluding GST/sales tax) receivable)	Amortized cost
Deposits	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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(n) Financial instruments (*Continued*)

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.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*(n) Financial instruments *(Continued)*

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.

(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 judgements 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.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*(p) Significant accounting judgments, estimates and assumptions *(Continued)*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 is still assessing the impact of adopting these amendments 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 condensed interim consolidated financial statements.

4. PROPERTY AND EQUIPMENT

	Growing equipment	Lighting equipment	Greenhouse	Total
Cost				
As at May 31, 2022,				
May 31, 2023 and				
August 31, 2023	\$ 285,823	\$ 71,289	\$ 637,935	\$ 995,047
As at May 31, 2022	\$ 55,668	\$ 3,564	\$ 46,670	\$ 105,902
Depreciation	69,046	6,773	63,794	139,613
As at May 31, 2023	124,714	10,337	110,464	245,515
Depreciation	12,083	1,524	15,948	29,555
As at August 31, 2023	\$ 136,797	\$ 11,861	\$ 126,412	\$ 275,070
Net book value				
As at May 31, 2023	\$ 161,109	\$ 60,952	\$ 527,471	\$ 749,532
As at August 31, 2023	\$ 149,026	\$ 59,428	\$ 511,523	\$ 719,977

Construction-in-progress

During the year ended May 31, 2021, the Company entered into an industrial lease with the CEO of the Company (the "Original Lease Agreement"), whereby the Company leased from the CEO the Greenhouse and compost buildings (the "Greenhouse") and their equipment and fixtures on his property (the "Property") in Abbotsford, BC (the "Lease") (See Note 9(b)). Pursuant to the Lease, the CEO was responsible for the Landlord's Work at the Company's expense and the Company was responsible for the Tenant's Work at its expense, to render the Greenhouse complete and suitable to open for business. During the year ended May 31, 2022, the Landlord's work was completed, and the Greenhouse was made available to the Company. During the period ended May 31, 2023, the CEO sold the premises to a director and officer of the Company (the "Purchaser") and entered into an assignment agreement whereby the rights and obligations granted to the CEO pursuant to the Original Lease Agreement have been assigned to and assumed by the Purchaser. The terms of the Original Lease Agreement remain unchanged.

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4. PROPERTY AND EQUIPMENT *(Continued)*

All the costs associated with the Greenhouse improvements were transferred from work-in-progress to Greenhouse. All assets that are not attached to the Greenhouse, such as the lights and the towers and their respective watering system are included in the Vertical Growing Farms category.

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	-	3,721	3,721
Disposal	-	(12,269)	(12,269)
As at August 31, 2023	\$ 1,159,326	\$ 60,916	\$ 1,220,242
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	10,676	-	10,676
As at August 31, 2023	\$ 401,957	\$ -	\$ 401,957
Net book value			
As at May 31, 2023	\$ 768,045	\$ 69,464	\$ 837,509
As at August 31, 2023	\$ 757,369	\$ 60,916	\$ 818,285

As at August 31, 2023, 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).

Patents Pending

Patents were pending for certain of the above-noted patents in various countries including EU, 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)
- Automated Plant Growing Apparatus and Methods (United States)

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6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2023	May 31, 2023
Accounts payable	\$ 1,069,812	\$ 987,860
Accrued liabilities	91,050	96,100
	<u>\$ 1,160,862</u>	<u>\$ 1,083,960</u>

7. LOANS PAYABLE

Loans payable consists of the following:

	August 31, 2023	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 with no fixed terms of repayment from the CEO ⁽ⁱⁱ⁾	13,955	13,955
Unsecured loan, bearing interest at 8% per annum, and repayable on August 27, 2023	10,406	10,205
Unsecured loan, bearing interest at 8% per annum, and repayable on September 2, 2023	104,033	102,016
Unsecured loan, bearing interest at 8% per annum, and repayable on September 2, 2023	52,016	51,008
Unsecured loan, bearing interest at 8% per annum, and repayable on December 1, 2023	20,399	-
Unsecured loan, bearing interest at 8% per annum, and repayable on February 14, 2024	20,075	-
	<u>\$ 228,807</u>	<u>\$ 185,107</u>

During the period ended August 31, 2023, the Company accrued interest of \$3,700 on loans (2023 - \$2,279).

8. SHARE CAPITAL AND RESERVES

(a) Authorized:

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

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8. SHARE CAPITAL AND RESERVES (Continued)

(b) Share issuances:

During the period ended August 31, 2023, the Company did not have any share activity.

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 share purchase warrant exercisable at \$0.15 expiring on August 2, 2023. Under the residual value approach, \$Nil was assigned to the warrant component of the units. 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 share purchase warrant exercisable at \$0.10 for 24 months until October 12, 2024. The Company paid \$1,920 as finders' fees. Each warrant is exercisable into a common share of the Company at \$0.10 through 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 period ended August 31, 2023 is as follows:

Expiry date	Exercise price	As at May 31, 2023	Issued	Expired	As at August 31, 2023
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		4,886,551	-	(2,293,550)	2,593,001
Weighted average exercise price		\$ 0.21	\$ -	\$ 0.15	\$ 0.26

As of August 31, 2023, the weighted average contractual life is 0.82 years (May 31, 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, 2023	Issued	As at May 31, 2023
August 21, 2022	\$ 0.60	1,274,456	-	-
February 26, 2023	\$ 0.50	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	4,886,551
Weighted average exercise price		\$ 0.52	\$ 0.13	\$ 0.21

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

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8. SHARE CAPITAL AND RESERVES (Continued)**(d) 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.

A summary of changes in the Company’s common share purchase options for the period ended August 31, 2023 is as follows:

Expiry date	Exercise price	As at May 31, 2023	Issued	Expired/ Cancelled /Forfeited	As at August 31, 2023
May 10, 2025	\$ 0.50	200,000	-	-	200,000
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	-	-	1,400,000
Options exercisable		1,400,000	-	-	1,400,000
Weighted average exercise price	\$	0.41	\$	-	\$ 0.41

As at August 31, 2023, the weighted average remaining life is 7.45 years (May 31, 2023 – 7.70 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	As at May 31, 2023
May 10, 2025	\$ 0.50	200,000	-	200,000
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	-	1,400,000
Options exercisable		1,400,000	-	1,400,000
Weighted average exercise price	\$	0.41	\$	0.41

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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 period ended August 31, 2023	For the period ended August 31, 2022
Management fees	\$ 40,000	\$ 40,000

At August 31, 2023, the Company had the following amounts owing to related parties:

- i) accounts payable of \$181,603 (May 31, 2023 - \$157,167) owing to the CEO of the Company.
- ii) accounts payable of \$68,250 (May 31, 2023 - \$68,250) owing to a former director of the Company.
- iii) loan payable to the CEO of \$13,955 (May 31, 2023 - \$13,955). The amount is non-interest bearing with no fixed terms for repayment (Note 7).

(b) Industrial Lease

On January 21, 2021, the Company entered an industrial lease with the CEO of the Company, whereby the Company leased from the CEO (the "Landlord") the Greenhouse. In May 2021, the Company and the CEO entered a lease amending agreement (collectively with the industrial lease, the "Original Lease"). The Original Lease has a 10-year term that commenced on December 15, 2021 with the completion of leaseholds and ends on December 15, 2031. During the period ended May 31, 2023, the CEO sold the premises to a director and officer of the Company (the "Purchaser") and entered into an assignment agreement whereby the rights and obligations granted to the CEO pursuant to the Original Lease Agreement have been assigned to and assumed by the Purchaser. The terms of the Original Lease Agreement remain unchanged.

The Company paid a \$5,000 security deposit and gross rent during the term is \$81,000 per year, payable monthly. The Company is responsible for utilities and services to the Greenhouse.

Right of Use Asset/Lease Liability

IFRS 16 Leases requires that the Tenant, recognized a right-of-use asset and a lease liability on its consolidated statements of financial position at the commencement date of the lease. Accordingly, the asset and the liability have been appropriately reported.

The continuity of ROU assets is as follows:

May 31, 2022	\$	567,054
Amortization of ROU asset		(59,953)
May 31, 2023		507,101
Amortization of ROU asset		(9,992)
August 31, 2023	\$	497,109

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9. RELATED PARTY TRANSACTIONS (Continued)**(b) Industrial Lease (Continued)**

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		147
Lease liability, August 31, 2023	\$	588,857
<hr/>		
Current lease liability	\$	-
Long term lease liability	\$	588,857

The Company has not made any lease payments since inception and accrued interest expense in arrears of \$147 (2022 - \$147) for the period ended August 31, 2023. 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, receivables (excluding GST/sales tax), deposits, due from related parties, accounts payable and accrued liabilities 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. Cash is carried at a fair value using level 1 fair value measurement.

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's derivative liability was included in Level 3 of the fair value hierarchy.

The Company has no financial instruments under Level 2.

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

(a) 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.

(b) 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, 2023, the Company had current liabilities of \$1,389,669 (May 31, 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 August 31, 2023, the Company has a working capital deficiency of \$1,368,388 (May 31, 2023 - \$1,251,870). The ability of the Company to continue its activities relies upon the support of its suppliers and obtaining additional financing.

(c) 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.

AFFINOR GROWERS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

AUGUST 31, 2023 AND 2022

(Presented in Canadian Dollars)

(Unaudited – prepared by Management)

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

11. MANAGEMENT OF CAPITAL RISK

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash. In order to maximize ongoing operating efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its activities or may slow its activities until conditions improve. The Company is not subject to external capital requirements. There were no changes in the Company's approach to capital management during the 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 our potential liability by analyzing our litigation and regulatory matters using available information. The Company develops our views on estimated losses in consultation with outside counsel handling our 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 our 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 our results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs.

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.

13. COMMITMENTS AND CONTINGENCIES (Continued)

At a hearing held on December 7, 2018, the BCSC 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.

During the year ended May 31, 2021, the Notice of Hearing was amended to remove the Company as a respondent and there is no current proceeding against the Company from the 2019 proceeding. However, the BCSC held the right to re-institute proceedings in the future and the Company received notice of the re-institution on January 26, 2022 when the BCSC issued a new Notice of Hearing. An enforcement hearing commenced in March 2023 and resumed in October 2023 and has not yet concluded.

The Company has made an assessment and, at this time, the Company has only disclosed information that will not prejudice the position of the Company in this dispute.

The Company has made an assessment and, at this time, the estimated financial effect is unknown. As such no contingency has been made.

Notice of Civil Claim

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, its CEO and former CFO as defendants 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 by the Company and other reporting issuers.

During the year ended May 31, 2022, the Court denied the Plaintiffs’ application for leave to bring the Claim. The Plaintiffs filed an appeal. The Court of Appeal overturned the earlier court decision and granted leave to the Plaintiff to bring the Claim. The Company filed for leave to the Supreme Court of Canada to appeal the Court of Appeal’s ruling granting leave to bring the secondary market claims. The certification hearing for the putative class action occurred on October 6, 2023.

During October 2023, the B.C. Supreme Court certified the claims against the Company for settlement purposes only and approved the settlement agreement (with the class plaintiffs of the putative class proceedings, Tietz and others v. Bridgemark Financial and others, filed against it and two officers of the Company in 2019). The settlement was made without any admission of liability by the Company. The Company and other settling parties have agreed to pay an aggregate of \$1,340,000 for the benefit of the class members.

The Company anticipates recovery of legal fees pertaining to this matter from its insurance carrier.

Claim

During July 2022, the Company filed a claim against Bridgemark Financial Group in the British Columbia Supreme Court for contribution and/or indemnity in connection with the above civil claim. No accrual for potential recovery has been recorded in respect of this claim.



**AFFINOR GROWERS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED AUGUST 31, 2023**

INTRODUCTION

This is Management's Discussion and Analysis ("MD&A") for Affinor Growers Inc. ("Affinor" or the "Company") and has been prepared based on information known to management as of November 29, 2023. This MD&A is intended to help the reader understand the condensed interim consolidated financial statements of Affinor.

The following information should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended August 31, 2023 and audited consolidated financial statements for the year ended May 31, 2023 and the related notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A provides a review of the performance of the Company for the three months ended August 31, 2023. Additional information relating to the Company can be found on SEDAR+ www.sedarplus.ca.

Management is responsible for the preparation and integrity of the condensed interim consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management also ensures that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable.

The Company's board of directors follows recommended corporate-governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management regularly to review the condensed interim consolidated financial statements, including the MD&A, and to discuss other financial, operating and internal-control matters.

All currency amounts are expressed in Canadian dollars unless otherwise noted.

FORWARD LOOKING STATEMENTS

Certain sections of this MD&A provide, or may appear to provide, a forward-looking orientation with respect to the Company's activities and its future financial results. Consequently, certain statements contained in this MD&A constitute express or implied forward-looking statements. Terms including, but not limited to, "anticipate", "estimate", "believe" and "expect" may identify forward-looking statements. Forward-looking statements, while they are based on the current knowledge and assumptions of the Company's management, are subject to risks and uncertainties that could cause or contribute to the actual results being materially different than those expressed or implied. Readers are cautioned not to place undue reliance on any forward-looking statement that may be in this MD&A.

The following forward-looking statements have been made in this MD&A:

- Impairment of intangible assets;
- The potential and uncertainties of the Company's sales; and
- Expectations regarding the ability to raise capital and to continue its development of the vertical farming technology.



ADDITIONAL INFORMATION

Financial statements, MD&A's and additional information relevant to the Company and the Company's activities can be found on SEDAR+ at www.sedarplus.ca, and/or on the Company's website at www.affinorgrowers.com.

SUMMARY AND OUTLOOK

It is the mission of Affinor to be the world-wide technology and market leader in acquiring and commercializing innovative vertical farming technologies that use the least possible resources (e.g. land, water, and energy resources) to produce high quality, sustainable products.

Affinor's patented technologies position the Company well in the vertical farming industry. It is one of the only vertically integrated growing system that can offer automated mechanical pollination for fruiting crops and true vertical solutions for the vertical farming industry. Revenue models for the Company include income from licensing fees, royalties on production, and margin on the sale of the Company's patented technology.

The Company's goal is to become the leading technology developer and distributor of vertical farming to help solve food security problems by using our proprietary growing systems. To that end, the Company filed patents in Australia, the EU, India, New Zealand, Saudi Arabia, South Africa and United Arab Emirates.

Background

The Company was incorporated under the Canadian Business Corporations Act on August 27, 1996. The Company is a diversified publicly traded company on the Canadian Securities Exchange under the symbol "AFI" and is also listed on the Frankfurt Stock Exchange under the symbol "1AF" as well as on the US OTCQB under the symbol "RSSFF".

Highlights Summary

The following is a brief description of the activities incurred by the Company during this current fiscal period and to date. Additional information can be obtained from the Company's website (www.affinorgrowers.com).

Definitive Agreement – Freshbay Inc.

On June 20, 2023, the Company announced that it entered into an Agriculture Technology Agreement dated June 16, 2023 (the "Definitive Agreement") with Freshbay, Inc. ("Freshbay").

Pursuant to the terms and conditions of the Definitive Agreement, Freshbay has engaged the Company to provide certain products and services for use at the Project Site to support Freshbay in its production and commercialization of strawberries. More specifically, the Company will:

- a) supply and arrange for the installation of 17,530 vertical hydroponic towers with self-pollinating capabilities at the Project Site (the "Towers").
- b) supply and arrange for the installation of 34 polycarbonate Atlantis greenhouses (the "Greenhouses") at the Project Site.
- c) arrange for the initial introduction between Freshbay and Berrymobile Fruit Distribution Inc. to explore the purchase of strawberries grown at the Project Site (the "Offtake Products").
- d) grant Freshbay certain licenses to use certain trademarks, intellectual property, and standard operating procedures of the Company.

As consideration for the products and services to be provided by the Company, and in accordance with the terms and conditions of the Definitive Agreement, Freshbay has agreed to pay the Company 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.
- b) the parties agree to a work schedule for the project.



Assuming the conditions precedent are satisfied, \$20,000,000 of the Contract Price will be payable within two business days of the satisfaction of the conditions precedent, and \$47,878,675 will be payable on the date that is thirty days thereafter. The remaining portion of the Contract Price is payable in installments based on the delivery of the Equipment at the Project Site.

Risks and Uncertainties

The Company is subject to a number of risks and uncertainty associated with the successful development of its vertical growing technology to help grow crop products, such as romaine lettuce and strawberries, and with the financing requirements of its operations. The attainment of profitable operations is dependent upon future events, including the successful completion of technology crop feasibility studies, energy saving strategies and crop modeling. Commercialization of its products and technology is dependent on obtaining adequate financing to complete its commercialization plans.

The Company's success depends on a number of factors, many of which are beyond its control. The primary risk factors affecting the Company include inherent risks in the agricultural industry, produce price fluctuations and currencies.

Inherent risks within the agricultural industry

The commercial viability of an agricultural facility depends on many factors, not all of which are within the control of management. Some of the factors that will affect the financial viability of a given produce include global demand and global supply. Other factors such as government subsidies, regulation and taxes could also have an impact on the economic viability of an agricultural facility.

Prices for product

Product prices are subject to price fluctuations and have a direct impact on the commercial viability of the Company's vertical growing technology. Price volatility results from a variety of factors, including global consumption and demand, international economic and political trends, fluctuations in the US dollar and other currencies, interest rates, and inflation. The Company has not hedged any of its potential future sales.

Foreign currency risks

The Company uses the Canadian dollar as its measurement and reporting currency, and therefore fluctuations in exchange rates between the Canadian dollar and other currencies may affect the results of operations and financial position of the Company. The Company does not currently have any foreign currency or commercial risk hedges in place.

The Company raises the majority of its equity financings in Canadian dollars while some of its operations are conducted in US dollars. Fluctuations in the exchange rates between the Canadian dollar and US dollar may impact the Company's financial condition.

Impairment of Intangible Assets

The Company completed an impairment analysis as at August 31, 2023 and concluded that there was impairment of \$12,269 of the Company's intangible assets.



Summary of Quarterly Results

The following is a summary of the Company's financial results for the last eight quarters:

	Three Months Ended			
	August 31, 2023	May 31, 2023	February 28, 2023	November 30, 2022
Total revenues	\$ -	\$ -	\$ -	\$ -
Net income (loss)	(175,438)	(193,021)	(181,176)	(86,718)
Income (loss) per share	(0.01)	(0.01)	(0.01)	(0.06)

	Three Months Ended			
	August 31, 2022	May 31, 2022	February 28, 2022	November 30, 2021
Total revenues	\$ -	\$ -	\$ -	\$ -
Net income (loss)	(174,385)	(1,099,919)	(173,632)	87,176
Loss per share	(0.01)	(0.06)	(0.00)	0.00

Review of Operations and Financial Results

For the three months ended August 31, 2023 and three months ended August 31, 2022

During the three months ended August 31, 2023, the Company reported a loss of \$175,438 (\$0.01 loss per share) (2022 – \$174,385) (\$0.01 loss per share).

In general, the Company continues to focus on cost containment to ensure that all available resources are dedicated to becoming a company that produces high quality and quantity of food.

The main items of change for the three months ended August 31, 2023, compared with August 31, 2022 were:

- Consulting was \$Nil as compared with \$5,305 in 2022. The decrease was a result of Company having fewer employees and consultants.
- Gain on debt settlement was \$Nil as compared with \$11,468 in 2022. The decrease was a result of debt settlement with share issuance during the comparative period.
- Investor relations and promotion was \$Nil as compared with \$10,471 in 2022. The decrease was a result of the Company's cost saving effort during the current period.
- Other income was \$Nil as compared with \$11,970 in 2022. The decrease was a result of no strawberry sales during the current period.
- Professional fees were \$51,129 as compared with \$38,889 in 2022. The increase was a result of legal fees paid for the maintenance patents during the current period.
- Other operating expenses were \$673 compared with \$16,838 in 2022. The decrease was a result of decreased sale activities during the current period.
- Wage, employee benefits and training were \$Nil compared with \$Nil in 2022. The decrease was due to no employee being employed during the current period.
- Write-off of intangible assets was \$12,269 with \$Nil in 2022. The increase was due to the Company's decision to abandoning certain licensing patents during the current period.



Liquidity and Capital Resources

The Company continued to utilize its cash resources to fund its administrative requirements and product development.

In order to fund the Company's ongoing operational needs and expansion plans, the Company will need funding through equity or debt financing, joint venture arrangements or a combination thereof. The Company's operations to date have been financed by the issuance of its common shares, share options and warrants, debt instruments and government assistance. The Company continues to seek capital through various means including the issuance of equity and debt. While the Company has been successful in raising funds in the past, there is no assurance that it will continue to do so in the future or that it will be available on a timely basis or on terms acceptable to the Company.

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

The Company had working capital deficiency of \$1,368,388 as at August 31, 2023 (May 31, 2023 - \$1,251,870).

As at August 31, 2023, the Company had cash and cash equivalents of \$3,201 (May 31, 2023 - \$2,172).

Cash flows used in operating activities was \$38,971 (2022 - \$6,533) as at August 31, 2023, primarily because of change in non-working during the current period.

Cash flows provided by financing activities was \$40,000 (2022 - \$7,505) as at August 31, 2023 was due loans received during the current period.

Transactions with Related Parties

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

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

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

	For the period ended August 31, 2023	For the period ended August 31, 2022
Management fees	\$ 40,000	\$ 40,000

At August 31, 2023, the Company had the following amounts owing to related parties:

- i) accounts payable of \$181,603 (May 31, 2023 - \$157,167) owing to the CEO of the Company.
- ii) accounts payable of \$68,250 (May 31, 2023 - \$68,250) owing to a former director of the Company.
- iii) loan payable to the CEO of \$13,955 (May 31, 2023 - \$13,955). The amount is non-interest bearing with no fixed terms for repayment.

		Transactions for the three months ended		Balance due	
		August 31, 2023	August 31, 2022	As at August 31, 2023	As at May 31, 2023
Softail Enterprises Inc.	Consulting fees	\$ -	\$ -	\$ 68,250	\$ 68,250
Nick Brusatore, Chief Executive Officer	Management fees	\$ 40,000	\$ 40,000	\$ 195,558	\$ 171,122

Industrial Lease

During the year ended May 31, 2021, the Company entered into an industrial lease with the CEO of the Company (the "Original Lease Agreement"), whereby the Company leased from the CEO the Greenhouse and compost buildings (the "Greenhouse") and their equipment and fixtures on his property (the "Property") in Abbotsford, BC (the "Lease") (See Note 9(b)). Pursuant to the Lease, the CEO was responsible for the Landlord's Work at the Company's expense and the Company was responsible for the Tenant's Work at its expense, to render the Greenhouse complete and suitable to open for business. During the year ended May 31, 2022, the Landlord's work was completed, and the Greenhouse was made available to the Company. During the period ended May 31, 2023, the CEO sold the premises to a director and officer of the Company (the "Purchaser") and entered into an assignment agreement whereby the rights and obligations granted to the CEO pursuant to the Original Lease Agreement have been assigned to and assumed by the Purchaser. The terms of the Original Lease Agreement remain unchanged.

All the costs associated with the Greenhouse improvements were transferred from work-in-progress to Greenhouse. All assets that are not attached to the Greenhouse, such as the lights and the towers and their respective watering system are included in the Vertical Growing Farms category.

Right of Use asset/Lease Liability

IFRS 16 Leases requires that the Tenant, recognized a right-of-use asset and a lease liability on its consolidated statements of financial position at the commencement date of the lease. Accordingly, the asset and the liability have been appropriately reported.

The continuity of ROU assets is as follows:

May 31, 2022	\$	567,054
Amortization of ROU asset		(59,953)
May 31, 2023		507,101
Amortization of ROU asset		(9,992)
August 31, 2023	\$	497,109

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		147
Lease liability, August 31, 2023	\$	588,857
Current lease liability	\$	-
Long term lease liability	\$	588,857

The Company has not made any lease payments since inception and accrued interest expense in arrear of \$147 (2022 - \$147) during the period ended August 31, 2023. It was agreed by the Landlord that the lease will remain in good standing while maintaining the same terms.

Financial Instruments

The fair values of the Company's cash, receivables, due from related party (excluding GST), and accounts payables and accrued liabilities approximate their carrying values because of the short-term nature of these instruments.

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

(i) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, such as foreign exchange rates and interest rates. The objectives of the Company are to ensure cash inflows in the short and medium term, while reducing exposure to capital markets. The Company does not trade in financial assets for speculative purposes.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. As at August 31, 2023, the Company had current liabilities of \$1,389,669 (May 31, 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 August 31, 2023, the Company has a working capital deficiency of \$1,368,388 (May 31, 2023 - \$1,251,870). 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.

(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).

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 our potential liability by analyzing our litigation and regulatory matters using available information. The Company develops our views on estimated losses in consultation with outside counsel handling our 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 our 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 our results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs.

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At a hearing held on December 7, 2018, the BCSC 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.

During the year ended May 31, 2021, the Notice of Hearing was amended to remove the Company as a respondent and there is no current proceeding against the Company from the 2019 proceeding. However, the BCSC held the right to re-institute proceedings in the future and the Company received notice of the re-institution on January 26, 2022 when the BCSC issued a new Notice of Hearing. An enforcement hearing commenced in March 2023 and resumed in October 2023 and has not yet concluded.



The Company has made an assessment and, at this time, the Company has only disclosed information that will not prejudice the position of the Company in this dispute.

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Claim

During July 2022, the Company filed a claim against Bridgemark Financial Group in the British Columbia Supreme Court for contribution and/or indemnity in connection with the above civil claim. No accrual for potential recovery has been recorded in respect of this claim.

Management of Capital Risk

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

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

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



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

Policies and Controls

Significant Accounting Policies, Estimates and Critical Judgements

Please refer to the condensed interim consolidated financial statements for the period ended August 31, 2023.

Disclosure of Outstanding Share Data

As of the date of this MD&A, the Company's share structure is as follows:

Common shares

The Company had 25,989,915 common shares outstanding at November 29, 2023.

Stock options

The Company had the following stock options outstanding at November 29, 2023.

Expiry date	Exercise price	Options Outstanding
May 10, 2025	\$ 0.50	200,000
July 25, 2031	\$ 0.40	450,000
August 10, 2031	\$ 0.50	100,000
November 2, 2031	\$ 0.50	100,000
November 2, 2031	\$ 0.30	400,000
December 7, 2031	\$ 0.50	100,000
February 22, 2032	\$ 0.40	50,000
		1,400,000

Warrants:

The Company had the following warrants outstanding at November 29, 2023.

Expiry date	Exercise price	Warrants Outstanding
January 14, 2024	\$ 0.50	1,043,001
October 12, 2024	\$ 0.10	1,550,000
		2,593,001



Information on the Board of Directors and Management

Directors:

Nick Brusatore
Alan Boyco
Rick Easthom
Ben Hogervorst

Audit Committee members:

Alan Boyco
Nick Brusatore
Rick Easthom

Management:

Nick Brusatore, Chief Executive Officer and Chief Financial Officer