AFFINOR GROWERS

AFFINOR GROWERS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2024

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 January 29, 2025. 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 six months ended November 30, 2024 and audited consolidated financial statements for the year ended May 31, 2024 and the related notes thereto, prepared in accordance with IFRS Accounting Standards ("IFRS"). The MD&A provides a review of the performance of the Company for the six months ended November 30, 2024. 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 condensed interim 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.

AFFINOR GROWERS

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 16, 2023, the Company entered into an Agriculture Technology Agreement (the "Definitive Agreement") with Freshbay, Inc. ("Freshbay").

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

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

$21,000,000 ("Funding Installment") on such date that Freshbay receives any funding from an institutional investor in connection with the Project Solution (as defined in the Agricultural Technology Agreement). Notwithstanding the foregoing, full Funding Instalment is due and payable on a date that is six months upon the effective date of the amending agreement. During the period ended November 30, 2024, the payable date had passed and the exclusive rights lapsed due to non-payment.

$12,500,000 on such date that is the earliest of (i) six months from the date of the first shipment of any strawberries produced in connection with the Licensed IP, or (ii) June 16, 2025.

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

In connection with the agreement the Company received an unsecured loan of $35,000 from Freshbay.

Definitive Agreement – FARMX Produce Inc.

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

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

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

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

Within 6 months of the September 1, 2024 of the Agreement, FARMX is to either (i) purchase Equipment for a minimum 60,000 square foot facility, or (ii) pay the Company a non-refundable deposit of $5,000,000 (the "Deposit") ($120,000 received), which is to be applied towards FARMX's payment for its purchase of the Equipment. However, if FARMX has not made the purchase of Equipment as required and has not paid the Deposit, then the Company has the right to either allow FARMX another six months to make the required purchase of the Equipment or else to terminate the Exclusive License. such that FARMX's rights shall convert to non-exclusive.

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.

Summary of Quarterly Results

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

	Three Months Ended			
	November 30, 2024	August 31, 2024	May 31, 2024	February 29, 2024
Total revenues	$ -	$ -	$ -	$ -
Net loss	(276,249)	(164,933)	(300,963)	(269,291)
Loss per share	(0.01)	(0.00)	(0.01)	(0.01)

	Three Months Ended			
	November 30, 2023	August 31, 2023	May 31, 2023	February 28, 2023
Total revenues	$ -	$ -	$ -	$ -
Net loss	(283,429)	(175,438)	(193,021)	(181,176)
Loss per share	(0.01)	(0.01)	(0.01)	(0.01)

Review of Operations and Financial Results

<u>For the six months ended November 30, 2024 and six months ended November 30, 2023</u>

During the six months ended November 30, 2024, the Company reported a loss of $441,182 ($0.01 loss per share) (2023 – $458,867) ($0.02 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 six months ended November 30, 2024, compared with November 30, 2023 were:

- Consulting and subcontractors were $28,285 compared with $Nil in 2023. The increase was a result of increased activities to prepare greenhouse for production during the current period.

- Other operating expenses were $16,287 compared with $8,835 in 2023. The increase was a result of the Company's increased activities during the current period.
- Professional fees were $147,626 compared with $195,827 in 2023. The decrease was a result of lower legal services rendered in the current period.
- Registration and information to shareholders were $16,063 compared with $47,509 in 2023. The decrease was a result of a reduction in corporate activities in the current period.
- Loss on disposal of intangible assets were $41,483 compared with $12,269 in 2023. The increase was a result of abandoned pending patents in the current period.

For the three months ended November 30, 2024 and three months ended November 30, 2023

During the three months ended November 30, 2024, the Company reported a loss of $276,249 ($0.01 loss per share) (2023 – $283,429) ($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 November 30, 2024, compared with November 30, 2023 were:

- Consulting and subcontractors were $17,555 compared with $Nil in 2023. The increase was a result of increased activities to prepare greenhouse for production during the current period.
- Other operating expenses were $73,492 compared with $8,162 in 2023. The increase was a result of the Company increased greenhouse operations during the current period.
- Professional fees were $95,290 compared with $144,698 in 2023. The decrease was a result of lower legal services rendered in the current period.
- Registration and information to shareholders were $10,782 compared with $30,212 in 2023. The decrease was a result of a reduction in corporate activities in the current period.
- Loss on disposal of intangible assets were $41,483 compared with $Nil in 2023. The decrease was a result of abandoned pending patents in 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 $1,115,574 as at November 30, 2024 (May 31, 2024 - $1,038,873).

As at November 30, 2024, the Company had cash and cash equivalents of $1,812 (May 31, 2024 - $2,906).

Cash flows used in operating activities was $205,696 (2023 - $82,096) as at November 30, 2024, primarily because of change in non-working during the current period.

Cash flows provided by investing activities was $116,280 (2023 - $Nil) as at November 30, 2024, primarily because of the deposits received for the equipment purchase during the current period.

Cash flows provided by financing activities was $88,322 (2023 - $80,000) as at November 30, 2024 was primarily due to proceeds from private placement and loans repayment 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 November 30, 2024	For the period ended November 30, 2023
Management fees	$ 80,000	$ 80,000

At November 30, 2024, the Company had the following amounts owing to related parties:

i) accounts payable of $95,871 (May 31, 2024 - $35,784) owing to the CEO of the Company.

ii) accounts payable of $68,250 (May 31, 2024 - $68,250) owing to a former director of the Company.

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

		Transactions for the six months ended		Balance due	
	Services	November 30, 2024	November 30, 2023	As at November 30, 2024	As at May 31, 2024
Softail Enterprises Inc.	Consulting fees	$ -	$ -	$ 68,250	$ 68,250
Nick Brusatore, Chief Executive Officer	Management fees	$ 80,000	$ 80,000	$ 95,871	$ 35,784

Industrial Lease

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

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

RUA/Lease Liability

The continuity of RUA is as follows:

May 31, 2023	$	507,101
Depreciation		(59,953)
May 31, 2024		447,148
Depreciation		(29,976)
November 30, 2024	$	417,172

The continuity of lease liabilities is as follows:

Lease liability, May 31, 2023	$	588,710
Interest expense		589
Lease liability, May 31, 2024		589,299
Interest expense		291
Lease liability, November 30, 2024	$	589,590
Current lease liability	$	106,848
Long term lease liability	$	482,742

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

The Company has not made any lease payments since inception and accrued interest expense in arrears of $292 (2023 - $294) for the period ended November 30, 2024. 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 November 30, 2024, the Company had current liabilities of $1,158,290 (May 31, 2024 - $1,087,236), the majority of which have contractual maturities of less than 30 days and are subject to normal trade terms. As at November 30, 2024, the Company has a working capital deficiency of $1,115,574 (May 31, 2024 - $1,038,873). The ability of the Company to continue its activities relies upon the support of its suppliers and obtaining additional financing.

The following table summarizes the maturities of the Company's financial liabilities as at November 30, 2024 and May 31, 2024 based on undiscounted cash flows:

	Payment due period				
	<1 year	2-3 years	4-5 years	>5 years	Total
Accounts payable and accrued liabilities	$ 1,158,290	$ -	$ -	$ -	$ 1,158,290
Lease liabilities	105,959	162,000	162,000	160,041	590,000
Deposit	$ -	$ 120,000	$ -	$ -	$ 1,158,290
November 30, 2024	$ 1,279,363	$ 162,000	$ 162,000	$ 160,041	$ 1,763,404

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

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

(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 condensed interim consolidated statement of comprehensive loss, which is the effect of currency rates on expected future cash flows and investment and management considers this risk to be negligible.

Commitments And Contingencies

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

Regulatory matter

On March 8, 2018, the Company completed a non-brokered private placement by issuing 24,997,916 units ("Unit") at a price of $0.16 per Unit for gross proceeds of $3,999,667, all of which was raised under the Consultant Exemption under National Instrument 45-106. A large portion of the funds was paid out in the form of consulting fees as the Company had entered into 14 three-month contracts for consulting services totalling $3,500,000 for accounting, corporate and administrative services, internet marketing, investor relations, merger and acquisition consulting and cannabis consulting. As at May 31, 2018, $175,000 in GST paid on the consulting fees was included in receivables. Of this amount, $47,500 was recovered from four consultants.

On November 26, 2018, the British Columbia Securities Commission (the "BCSC") issued a Temporary Order and Notice of Hearing (the "Order") to respondents, including the Company, pursuant to Section 161 of the Securities Act (the "Act") advising that a hearing would be held under section 161 (3) of the Act to determine whether to extend the temporary order under Section 161. The BCSC's concern is that the named issuers paid the majority of the private placement proceeds received, including those noted above, back when little or no consulting services had been or were intended to be performed and that this conduct is abusive to the capital markets. Considering the length of time to hold a hearing under section 161 (a) of the Act, the BCSC issued the following temporary orders under section 161 (1)(c): (i) that the exemption under section 2.24 of National Instrument 45-106 does not apply to the named issuers for a distribution to a consultant; and (ii) it does not apply to any issuer listed on the Canadian Securities Exchange for distribution to named respondents.

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

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 November 30, 2024.

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 39,914,492 common shares outstanding at January 29, 2025.

Stock options

The Company had the following stock options outstanding at January 29, 2025.

Expiry date	Exercise price		Options Outstanding
December 29, 2025	$	0.10	1,190,000
May 10, 2027	$	0.10	1,000,000
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
			3,390,000

Warrants:

The Company had the following warrants outstanding at January 29, 2025.

Expiry date	Exercise price		Warrants Outstanding
February 7, 2026	$	0.10	7,136,111
February 7, 2026	$	0.10	1,000,000
March 21, 2026	$	0.10	1,430,000
May 9, 2026	$	0.10	700,000
October 10, 2026	$	0.05	2,580,000
October 12, 2027	$	0.10	1,550,000
			14,396,111

<u>Information on the Board of Directors and Management</u>

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