



**AFFINOR GROWERS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2017**

**OVERVIEW AND INTRODUCTORY COMMENT**

Affinor Growers Inc. ("Affinor" or 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". The Company is focusing on developing vertically integrated farming technology and growing problematic demand crops on mass produce, high quality, and product for local distribution. The team is currently working towards becoming a supplier of vertical farming technologies and proprietary processes for strawberries and other crops such as romaine lettuce and herbs in North America.

This MD&A is dated October 10, 2017 and discloses specified information up to that date. Unless otherwise noted, all currency amounts are expressed in Canadian dollars. The following information should be read in conjunction with the unaudited condensed consolidated interim financial statements and the related notes for the three months ended August 31, 2017 and the Company's audited consolidated financial statements for the year ended May 31, 2017 and the related notes thereto.

Additional information relevant to the Company and the Company's activities can be found on SEDAR [www.sedar.com](http://www.sedar.com), and/or the Company's website at [www.affinorgrowers.com](http://www.affinorgrowers.com).

**MAJOR INTERIM PERIOD OPERATING MILESTONES**

On August 21, 2017, the Company provided update on the strawberry and cannabis product development.

Affinor plans to continue the cannabis trials in September 2017, as the license holder's personal use cannabis medical license from Health Canada has now been issued (see press release April 20 2017 "Affinor Sells Vertical Farming System for Medical Cannabis in BC"). The license holder applied and has now been granted a personal use medical license with Health Canada under the new ACMPR. Working with the license holder and designated grower, Affinor's immediate goal is to validate the initial cannabis trial while increasing yields and output per square foot through improved crop models for short, high density cannabis plants specific to the needs of the technology. This is an opportunity to trial medical cannabis on the vertical growing tower building market for smaller, highly efficient growing systems for personal medical use, as well as developing the protocol and methods for large scale commercial production. Other initiatives include testing new LED technology configured specifically for the growing equipment with the goal to develop the highest production per square foot with low operating cost.

Affinor announced that the strawberry trials being conducted at the University of Fraser Valley in Surrey is half way through the summer growing season with yields already exceeding last year's harvest. Notably, over 130 pounds of salable strawberries have been recorded on the small 4 level 16 arm beta tower to date, demonstrating the higher density design ability for strawberry



production. Affinor expects the trial to continue well into September and provide an update on the final results once complete.

All crop model information, data, procedures and harvest methods continue to be documented to help prove operational and financial assumptions including best practices to standardize commercialization. After September, Affinor's next objectives are to produce strawberries throughout the winter with customized LED supplemental lighting for fruiting crops and diversify the crop trials by growing kale in the tower technology.

## **INTERIM PERIOD FINANCIAL CONDITION**

### Capital Resources

The Company's business plan is dependent on raising additional funds to finance its commercial trial and development and its pilot plant and commercialization 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.

### Liquidity

On August 31, 2017, the Company had a working capital of \$401,354 (\$513,014 as at May 31, 2017) including cash of \$415,025 (\$521,618 as at May 31, 2017) and had an accumulated deficit of \$24,411,197 (\$24,264,580 as at May 31, 2017) and had incurred a loss of \$146,617 for the three months ended August 31, 2017 (\$272,899 for the three months ended August 31, 2016).

### Operations

#### For three months ended August 31, 2017 and three months ended August 31, 2016

During the three months ended August 31, 2017, the Company reported a loss of \$146,617 (\$0.00 loss per share) (2016 – \$272,899 (\$0.00 loss per share)).

During the three months ended August 31, 2017, the Company reported production and development costs of \$39,131 (2016 - \$35,346).

Excluding the non-cash amortization of \$312 (2016 – \$703) and share-based payment of \$Nil (2016 - \$8,800), the Company's general and administrative expenses amounted to \$108,430 during the three months ended August 31, 2017 (2016 – \$195,641), a decrease of \$87,211. The reason for the change was a result of conserving cash by decreasing professional fees and consulting fee (2017 - \$64,038; 2016 - \$161,365).



## SIGNIFICANT RELATED PARTY TRANSACTIONS

During the quarter, there was no significant transaction between related parties.

## COMMITMENTS, EXPECTED OR UNEXPECTED, OR UNCERTAINTIES

Other than disclosed in this MD&A – Quarterly Highlights, the Company does not have any commitments, expected or unexpected, or uncertainties.

## RISK FACTORS

In our MD&A filed on SEDAR September 26, 2017 in connection with our annual financial statements (the “Annual MD&A”), we have set out our discussion of the risk factors *Exploration risks*, *Market risks* and *Financing risk* which we believe are the most significant risks faced by Affinor. An adverse development in any one risk factor or any combination of risk factors could result in material adverse outcomes to the Company’s undertakings and to the interests of stakeholders in the Company including its investors. Readers are cautioned to take into account the risk factors to which the Company and its operations are exposed. To the date of this document, there have been no significant changes to the risk factors set out in our Annual MD&A.

## DISCLOSURE OF OUTSTANDING SHARE DATA

The authorized share capital of the Company consists of an unlimited number of common shares without par value. The following is a summary of the Company’s outstanding share data as at August 31, 2017 and MD&A date:

	Issued and Outstanding	
	August-31-17	October-10-17
Common shares outstanding	121,606,561	121,606,561
Stock options	9,450,000	9,150,000
Warrants	33,915,969	31,915,969
Broker’s warrants	733,333	733,333
Fully diluted common shares outstanding	165,705,863	163,405,863

### **Cautionary Statements**

This document contains “forward-looking statements” within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration results and plans, and our other future plans and objectives, are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, our estimates of exploration investment, the scope of our exploration programs, and our expectations of ongoing administrative costs. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company’s documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change, except as required by law. Forward-looking statements are subject to risks, uncertainties and other factors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks. Readers are cautioned not to place undue reliance on forward-looking statements.