AFFINOR GROWERS

**AFFINOR GROWERS INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS**
**FOR THE NINE MONTHS ENDED FEBRUARY 28, 2018**

## 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 April 13, 2018 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 nine months ended February 28, 2018 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, and/or the Company's website at www.affinorgrowers.com.

## MAJOR INTERIM PERIOD OPERATING MILESTONES

On February 14, 2018, the Company announced that it has signed a letter of intent with a later stage Licensed Producer Applicant in British Columbia. The letter of intent represents a potential Joint Venture agreement to purchase equity in the private applicant once the Health Canada license is achieved, to grow, process, import and export marijuana.

On February 21, 2018, the Company announced that it has signed an exclusive license agreement with Vertical Designs Aruba Inc. ("VDA") to produce marijuana and food using the Company's patented rotating vertical towers.

In return for granting the license, the Company will receive 10% ownership in VDA and VDA will order all towers from Affinor for its farm to be based in Aruba. The license granted to VDA will cover the region of the Caribbean and as VDA expands into other countries in the Caribbean and incorporates new subsidiaries, it may sub license the Company's technology and the Company will receive a 10% stake in all other sub licences or subsidiaries throughout the Caribbean. Marijuana is not currently legal in Aruba, however in the event laws change we will be ready to service the Marijuana market.

On March 13, 2018, the Company announced that it received a purchase order for 32 vertical farm towers. These towers will be installed at the Abbotsford vertical farming strawberry facility. A 10 percent deposit will be issued 10 days after confirmation of raw material orders. Affinor will receive a 10 percent profit margin of $66,666.88. The plan between both parties is to service

Canada with the highest-quality, best-priced organic produce, using the patented Affinor Growers vertical farming tower technology. All produce will be sold under the ECO-Spirit brand label.

On March 20, 2018, the Company announced that it has completed the medical growing facility to begin next grow trial of Cannabis using the Affinor Growers Patented Vertical Farming Technology. The results of this test are key and will ensure all protocol requirement are confirmed for mass organic production around the world and give clarity to the potential producers the Company is currently in negotiations with. Affinor Growers has plans to utilize its vertical farming equipment to become a large producer of cannabis in other legal markets as they open up around the world with a more strategic environment naturally set for mass production of the cannabis plant. The Company wishes to better understand all protocols needed for larger markets and align itself with high quality, organic, cost-effective production using our sustainable practices with soil remediation, zero water waste and no pesticide use. The Company feels the product and production methods will lead the way showing the world suitability and quality at the same time and driving markets

On March 27, 2018, the Company announced that it has signed an exclusive manufacturing license with Cobotix Manufacturing Inc. ("Cobotix") on March 26, 2018. Cobotix plans to incorporate in Aruba to build a state of the art manufacturing plant by the beginning of August 2018 to manufacture the patented stainless-steel towers for the Caribbean for mass production of fruits and vegetables. The cost of project which includes the setup of lasers and welding forming equipment is estimated to be approximately $5 Million, which will be entirely funded by Cobotix.

Cobotix Manufacturing Inc. is the current manufacture of the Affinor Growers Patented Vertical Farming Technology. This state of the art manufacturing facility in Aruba will service the needs of the Caribbean and enable the ramp up and meeting of all manufacturing goals and targets. Many skilled job opportunities will be created while adding to the sustainable drive and needs in many regions around the world.

Through a newly formed entity, Affinor Growers will receive 10% voting shares of Cobotix Manufacturing Aruba, a seat on the board of directors and 10% of any subsidiaries created to service the Caribbean going forward. No water waste and pesticide use are important elements to the technology. We feel the quality product and production methods used, will be industry leading and show the world suitability and quality while driving the markets.

On March 29, 2018, the Company announced the incorporation process by Vertical Designs Ltd in the country of Colombia. The company will be incorporated under the name Vertical Designs Colombia and will be used to mass produce fruits, Vegetables and Cannabis for export into federally legal countries competing on global stage as well as create new markets for compound patents in the pharma industry utilizing the replication data available for research from the Affinor Growers Technology.

As per the Exclusive Caribbean license released February 21, 2018, Affinor Growers the patent holders of the Vertical Farming Technology will receive a 10% voting shares ownership in Vertical Designs Colombia and will receive 1 seat on the board in exchange for the exclusive license to mass produce Fruits, Vegetables and Cannabis, Affinor Growers will appoint Mr. Nick

Brusatore to help ensure all Governance and Protocol is met for the rapidly growing development in Colombia.

On April 12, 2018, the Company announced that our Exclusive license holder of the province of Ontario Urban Vertical Farms Inc. has signed and accepted a term sheet for $6 million in equity from Zygoz Equity Partners Inc. The agreement was signed on April 11, 2018. All funding will come from Zygoz Equity Partners Inc in exchange for a 20% stake in Urban Vertical Farms Inc. and will commence building in Ontario this summer. The facility will be approximately 45,000 square feet and will begin with sixty 10 level vertical towers capable of producing an estimated $300,000 gross monthly revenue at roughly 35% net margin. Urban Vertical Farms plans to grow the business with Zygoz Equity Partners Inc. through further licencing and expansion as demand continues to rise around the world. Affinor Growers is expected to receive a purchase order for approximately $1.2 million in late Aug 2018 for 60 rotating vertical towers slated for the project that will complete before end of 2018.

Design improvements and organic certification potential

On December 6, 2017, the Company announced that several design improvements have resulted in a 30% reduction in overall cost and optimized growing conditions.

Over the summer and during various grow-trial testing periods, Affinor took the opportunity to redesign certain aspects of the tower technology with the goal to reduce overall cost by 20%, improve plant resource availability and versatility. New ideas were conceived and prototyped with our supplier located in Port Coquitlam. By reducing the amount of parts and simplifying various fabrications, the overall financial objective was exceeded with a total cost saving of 30% per tower.

The towers have an estimated useful life of 20 years so a 30% reduction allows farmers to amortize the reduced cost at a lower rate and reap more financial benefits from the optimized growing conditions.

In parallel, the new design improvements upgrade the tower to allow growers to be certified as compliant for organic certification under current Canadian regulations pertaining to the amount of volume and depth of organic soil required per plant as well as improved light penetration by introducing a new tiered level approach. Improved versatility was achieved by designing a universal growing arm that now fits custom plastic inserts to maximize density during the plant growing cycle and accommodate different types of plants.

*Corporate*

On January 18, 2018, the Company announced the resignation of Jarrett Malnarick as the Chief Executive Officer of the Company.

On February 7, 2018, the Company announced the appointment of Nicholas Brusatore as the Chief Executive Officer and President of the Company.

On March 8, 2018, the Company announced the resignation of Mark T. Brown as the Chief Financial Officer of the Company and the appointment of Sam Chaudhry as the Chief Financial Officer of the Company.

On March 9, 2018, the Company announced that it engaged JCN Capital Corp. to develop and execute a comprehensive public relations and investor communications plan to help raise awareness of the company over a 12-month renewable term.

**INTERIM PERIOD FINANCIAL CONDITION**

*Capital Resources*

During the nine months ended February 28, 2018, the Company issued common shares pursuant to the exercise of 2,800,000 stock options for cash proceeds of $379,500 and the exercise of 300,000 warrants for cash proceeds of $45,000.

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 $3,999,666. Each unit is comprised of one common share and one common share purchase warrant of the Company. Each warrant entitles the holder to purchase one additional common share for a 2 year period exercisable at a price of $0.25. If however the closing price of the Company's share are $0.40 or greater for a period of 20 consecutive trading days, the warrant holder will have 30 days to exercise their warrants; otherwise the warrants expire on the 31st day.

On March 14, 2018, the Company extended the terms of 7,482,636 warrants which would otherwise expire between April 3, 2018 and April 23, 2018 to expire between April 3, 2019 and April 23, 2019, with each warrant entitling the holder to purchase one common share of the Company at $0.40 per share.

On April 5, 2018, the Company granted 2,000,000 options at $0.115 to its director and officer, expiring on April 5, 2021.

On April 10, 2018, the Company announced that it has arranged by a way of a private placement of 9,090,910 units ("Unit") at a price of $0.11 per Unit for gross proceeds of up to approximately $1,000,000. Each unit is comprised of one common share and one common share purchase warrant of the Company. Each warrant entitles the holder to purchase one additional common share for a 2 year period exercisable at a price of $0.20. If however the closing price of the Company's share are $0.40 or greater for a period of 20 consecutive trading days, the warrant holder will have 30 days to exercise their warrants; otherwise the warrants expire on the 31st day.

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

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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 February 28, 2018, the Company had a working capital of $549,841 ($513,014 as at May 31, 2017) including cash of $555,364 ($521,618 as at May 31, 2017) and had an accumulated deficit of $24,905,494 ($24,264,580 as at May 31, 2017) and had incurred a loss of $640,914 for the nine months ended February 28, 2018 ($1,461,756 for the nine months ended February 28, 2017).

*Operations*

For three months ended February 28, 2018 and three months ended February 28, 2017

During the three months ended February 28, 2018, the Company reported a loss of $346,625 ($0.00 loss per share) (2017 – $9,672 ($0.00 loss per share)).

During the three months ended February 28, 2018, the Company reported revenue of $Nil (2017 – a negative amount of $15,000) and production and development costs of $39,731 (2017 - $47,354).

Excluding the non-cash amortization of $312 (2017 – $446) and share-based payment of $148,370 (2017 - $42,690), the Company's general and administrative expenses amounted to $160,087 during the three months ended February 28, 2018 (2017 – $133,150), an increase of $26,937. The reason for the change was a result of termination benefit $50,000 paid to former Chief Executive Officer which was included in employee benefit expenses (2018 – $75,609; 2017 - $34,207).

The other major items for three months ended February 28, 2018, compared with February 28, 2017, were:

- Write-off of accounts payable of $Nil (2017 - $201,884); and
- Gain on sale of property, plant and equipment of $Nil (2017 - $25,515).

For nine months ended February 28, 2018 and nine months ended February 28, 2017

During the nine months ended February 28, 2018, the Company reported a loss of $640,914 ($0.01 loss per share) (2017 – $1,461,756 ($0.01 loss per share)).

During the nine months ended February 28, 2018, the Company reported production and development costs of $116,159 (2017 - $182,593).

Excluding the non-cash amortization of $936 (2017 – $1,852) and share-based payment of $148,370 (2017 - $1,024,895), the Company's general and administrative expenses amounted to $379,848 during the nine months ended February 28, 2018 (2017 – $450,790), a decrease of $70,942. The reason for the change was a result of conserving cash by decreasing professional fees and consulting fee (2018 - $196,055; 2017 - $321,271) while being offset by employee benefit expenses (2018 - $132,647; 2017 - $81,148).

The other major items for nine months ended February 28, 2018, compared with February 28, 2017, were:

- Write-off of accounts payable of $Nil (2017 - $201,884);
- Loss on disposal of available for sale investments of $Nil (2017 - $31,551); and
- Gain on sale of property, plant and equipment of $Nil (2017 - $25,515).

## 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 February 28, 2018 and MD&A date:

| | Issued and Outstanding | |
|---|---|---|
| | February-28-18 | April-13-18 |
| Common shares outstanding | 124,706,561 | 149,704,477 |
| Stock options | 7,600,000 | 9,600,000 |
| Warrants | 23,782,636 | 48,780,552 |
| Fully diluted common shares outstanding | 156,089,197 | 208,085,029 |

**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.