



**AFFINOR GROWERS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS
FOR THE THREE MONTHS ENDED AUGUST 31, 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 October 30, 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 three months ended August 31, 2018 and the Company's audited consolidated financial statements for the year ended May 31, 2018 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

Aruba

On October 1, 2018, the Company and VDA Vertical Designs Aruba VBA ("VDA Aruba") signed a technology license agreement. During the quarter, the Company announced that the government of Aruba approved VDA Aruba to build a vertical farming project in Aruba using the Company's vertical farming technology. This technology will allow VDA Aruba to produce crops year-round in Aruba's tropical climate, while utilizing land that previously could not be utilized for farming.

Colombia

The incorporation process by Vertical Designs Ltd in the country of Colombia was completed in August 2018. The company, VDL Colombia SAS, is considered a related party as a current director holds a 50% ownership in the entity. The companies have yet to come to terms on a licensing agreement.

Corporate

On September 28, 2018, the Company announced the resignation of Nick Brusatore as the Chief Executive Officer and President of the Company and the resignation of David Mack as the director of the Company. The Company also announced the appointment of Randy Minhas as



the Chief Executive Office and President of the Company. Mr. Randy Minhas will remain on as the interim Chief Financial Officer until a replacement has been found. The Company has also appointed Brian Whitlock, a current director, as the Chairman of the Board.

INTERIM PERIOD FINANCIAL CONDITION

Capital Resources

During the three months ended August 31, 2018, the Company granted a total of 700,000 options to its consultant and directors at prices ranging from \$0.10 to \$0.115 for a period of three years, expiring from July 16, 2021 to August 24, 2021.

On September 28, 2018, the Company granted a total of 1,000,000 options at a price of \$0.10 to its director and officer for a period of three years, expiring on September 28, 2021.

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, 2018, the Company had a working capital of \$722,955 (excluding deposit on equipment purchase) (May 31, 2018 - \$967,459) including cash of \$259,372 (\$627,948 as at May 31, 2018) and had an accumulated deficit of \$29,270,490 (\$28,964,068 as at May 31, 2018) and had incurred a loss of \$306,422 for the three months ended August 31, 2018 (\$146,617 for the three months ended August 31, 2017).

Operations

For three months ended August 31, 2018 and three months ended August 31, 2017

During the three months ended August 31, 2018, the Company reported a loss of \$306,422 (\$0.00 loss per share) (2017 – \$146,617 (\$0.00 loss per share)).

During the three months ended August 31, 2018, the Company reported production and development costs of \$107,178 (2017 - \$39,131).

Excluding the non-cash amortization of \$322 (2017 – \$312) and share-based payment of \$62,260 (2017 - \$Nil), the Company's general and administrative expenses amounted to \$149,678 during the three months ended August 31, 2018 (2017 – \$108,430), an increase of

\$41,248. The reason for the change was a result of the increases of professional fees (2018 - \$57,192; 2017 - \$26,538) and management fees (2018 - \$30,000; 2017 - \$Nil).

The other major item for the three months ended August 31, 2018, compared with August 31, 2017 was:

- Other of \$13,016 (2017 - \$1,256) due to the accrued interest income of promissory notes.

SIGNIFICANT RELATED PARTY TRANSACTIONS

In August 2018, the Company delivered two growing towers, valued at approximately \$40,000, to the Company's former CEO's property for use in VDL's greenhouse project.

On August 9, 2018, the Company executed a promissory note to lend VDL Colombia SAS, a company where 50% is owned by the Company's director, for up to a maximum of US\$75,000 at an interest rate of 15% per year. The loan is repayable by August 31, 2018 and is secured by the assets of VDL Colombia SAS (of which there currently are none). The shareholders of VDL Colombia SAS have also pledged its shares of VDL Colombia SAS as additional security. To date, the Company has lent US\$75,000 and no amounts have been repaid.

On August 24, 2018, the Company executed a promissory note receivable with VDL, which matures on December 31, 2018, bears simple interest on the unpaid principal from May 2, 2018, being the date the principal was originally advanced, at an annual rate of 15% and is secured by the assets of VDL, of which, there currently are none. The principal amount is \$220,000. VDL is a company controlled by the Company's former Chief Executive Officer Nicholas Brusatore who resigned as the officer on September 28, 2018.

Subsequent to the period end, the Company delivered four growing towers, valued at approximately \$82,000 to VDA Aruba.

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, 2018 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, 2018 and MD&A date:

	Issued and Outstanding	
	August-31-18	October-30-18
Common shares outstanding	152,908,108	152,908,108
Stock options	10,600,000	11,600,000
Warrants	51,984,183	37,684,183
Broker's warrants	70,747	70,747
Fully diluted common shares outstanding	215,492,291	202,263,038

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.