



**AFFINOR GROWERS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS  
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2019**

**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 29, 2019 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, 2019 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](http://www.sedar.com), and/or the Company’s website at [www.affinorgrowers.com](http://www.affinorgrowers.com).

**MAJOR INTERIM PERIOD OPERATING MILESTONES**

*Agreement with Fundamental Lighting Solutions Corp. (“Fundamental Lighting”)*

The Company reached a four-year distribution agreement with Fundamental Lighting. Fundamental Lighting is a corporation out of Monroe, Washington and they have developed high-efficiency, white LED lights and coloured LED growing lights to be used for indoor growing operations, including greenhouses. The Company will have the exclusive right to distribute the lights for Agricultural projects and earn a commission on the sale of the lights.

In addition, the Company is helping Fundamental Lighting develop cannabis specific growing lights (“Cannabis Lights”) to compete with the widely used high-pressure sodium lights. The design work and the research for the Cannabis Lights has been completed and the process is moving to the prototype phase.

*Agreement with the University of Fraser Valley (“UFV”)*

The Company entered into a two-year agreement with the UFV to complete strawberry grow trials in the Company’s newly designed, soil-based, vertical growing tower with the use of the LED lights from Fundamental Lighting.



The Company will install a total eight towers at the two Surrey Biopod greenhouses, replacing the two larger, first generation, towers from several years ago. The Surrey Biopod facility is a partnership between the University of the Fraser Valley, the John Volken Academy (“Volken Academy”), and the City of Surrey. The Volken Academy provides life and job skills to addicted youth, and the Biopods offer Volken students the opportunity to learn growing and research skills in an urban greenhouse environment.

### Corporate

The Company entered into a letter of intent to acquire manufacturing assets that make up the Cobotix Manufacturing Inc.’s (“Cobotix”) business, undertakings and goodwill in Port Coquitlam (the “Acquisition”). The Company and Cobotix will have thirty (30) days to complete the due diligence process and determine a closing date for the Acquisition. In consideration for the assets, the Company will pay to Cobotix up to \$2,900,000, subject to a valuation of the assets (the “**Consideration**”). The Consideration will be satisfied by certain cash payments and the issuance of up to 38,000,000 common shares (the “Common Shares”) in the capital of the Company at a deemed price of \$0.05 per Common Share. Upon completion of the Acquisition, it is anticipated that Ron Adolf will be appointed to the board of directors and become an officer of the Company. No additional changes will be made to the Company’s board of directors or management based on the Acquisition. As of the date of this MD&A, the Company is continuing to complete its due diligence.

## **INTERIM PERIOD FINANCIAL CONDITION**

### Capital Resources

During the nine months ended February 28, 2019, the Company granted a total of 1,700,000 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 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 February 28, 2019, the Company had a working capital of \$462,325 (excluding deposit on equipment purchase) (May 31, 2018 - \$967,459) including cash of \$147,183 (\$627,948 as at May 31, 2018) and had an accumulated deficit of \$29,653,316 (\$28,964,068 as at May 31, 2018).

## Operations

### For three months ended February 28, 2019 and three months ended February 28, 2018

During the three months ended February 28, 2019, the Company reported a loss of \$163,130 (\$0.00 loss per share) (2018 – \$346,625 (\$0.00 loss per share)).

During the three months ended February 28, 2019, the Company reported production and development costs of \$47,455 (2018 - \$39,731), of which \$41,089 related to non-cash amortization of patents and depreciation of the growing towers (2018 - \$34,645).

Excluding the non-cash amortization of \$645 (2018 – \$312), the Company's general and administrative expenses amounted to \$133,954 during the three months ended February 28, 2019 compared with \$308,457 during the same period last year. The largest reason for the decrease was that the Company did not issue any share options, which accounted for \$148,370 during the three months ended February 28, 2018. The Company also incurred management fees of \$30,000 during the three months ended February 28, 2019. These fees were not incurred during the same period in 2018. Offsetting the increase in management fees, the Company's consulting fees decreased from \$64,287 during the three months ended February 28, 2019 to \$30,000 during the same period in 2018.

The other major items for the three months ended February 28, 2019, compared with February 28, 2018 were:

- Other of \$11,405 (2018 - \$1,875) due to the accrued interest income of promissory notes and cash balances.
- The Company had a gain on sale of equipment totaling \$4,519 (2018 - \$Nil). This was related to the four testing towers the Company had shipped to Aruba to be tested. They were sold during the three months ended February 28, 2019.
- Related to the sale of the testing towers, the Company received \$3,000 in licensing fees for the towers.

### For nine months ended February 28, 2019 and nine months ended February 28, 2018

During the nine months ended February 28, 2019, the Company reported a loss of \$689,248 (\$0.00 loss per share) (2018 – \$640,914 (\$0.00 loss per share)).

During the nine months ended February 28, 2019, the Company reported production and development costs of \$202,310 (2018 - \$116,159), of which \$124,108 related to non-cash amortization of patents and depreciation of the growing towers (2018 - \$103,935).

Excluding the non-cash amortization of \$967 (2018 – \$936) and share-based payment of \$131,860 (2018 - \$148,370), the Company's general and administrative expenses amounted to \$398,606 during the nine months ended February 28, 2019 (2018 – \$379,848), an increase of \$18,758. The main reason for the increase is the result of higher professional fees due to legal fees associated with filing new patents and working on licensing agreements. The Company also incurred management fees of \$75,000 during the nine months ended February 28, 2019. These fees were not incurred during the same period in 2018. Offsetting the increase in



professional and management fees, the Company's consulting fees decreased from \$196,055 during the nine months ended February 28, 2019 to \$90,000 during the same period in 2018.

The other major item for the six months ended February 28, 2019, compared with February 28, 2018 was:

- Other of \$36,976 (2018 - \$4,399) due to the accrued interest income of promissory notes and cash balances.
- The Company had a gain on sale of equipment totaling \$4,519 (2018 - \$Nil). This was related to the four testing towers the Company had shipped to Aruba to be tested. They were sold during the nine months ended February 28, 2019.
- Related to the sale of the testing towers, the Company received \$3,000 in licensing fees for the towers.

## SIGNIFICANT RELATED PARTY TRANSACTIONS

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:

### Transactions with key management personnel

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:

	Nine months ended	
	February 28, 2019	February 28, 2018
Consulting fees	\$ 90,000	\$ -
Management fees	109,850	70,500
Employee benefit expenses	122,601	28,538
Share-based payments	194,080	-
<b>Total</b>	<b>\$ 516,531</b>	<b>\$ 99,038</b>

	Services	Transactions for the nine months ended		Balance due	
		February 28, 2019	February 28, 2018	As at February 28, 2019	As at February 28, 2018
Aboriginal Import Export <sup>(a)</sup>	Consulting and management fees	\$ 90,000	\$ 10,000	\$ 20,000	\$ -
Randy Minhas Chief Financial Officer <sup>(b)</sup>	Salaries and share-based payment	\$ 122,601	\$ -	\$ -	\$ -
Jarrett Malnarick Former Chief Executive Officer <sup>(c)</sup>	Salaries	\$ -	\$ 186,687	\$ -	\$ -
Pacific Opportunity Capital Ltd. <sup>(d)</sup>	Professional fees - accounting services	\$ 40,478	\$ 70,500	\$ -	\$ -
Brian Whitlock Director <sup>(g)</sup>	Share-based payment	\$ 34,850	\$ -	\$ -	\$ -
Softail Enterprises Inc. <sup>(e)</sup>	Management fees	\$ 75,000	\$ -	\$ 10,500	\$ -

- (a) Nicholas Brusatore was appointed as the Chief Executive Officer effective January 29, 2018 and was compensated via payment to Aboriginal Import Export, a company controlled by Mr. Brusatore. Subsequently Mr. Brusatore resigned as the Chief Executive Officer effective September 28, 2018. Mr. Brusatore continues to consult with the Company.
- (b) Randy Minhas was appointed as the Chief Financial Officer effective May 2, 2018. Subsequently Mr. Randy was appointed as the Chief Executive Officer effective September 28, 2018 and remained as the interim Chief Financial Officer.
- (c) Jarrett Malnarick was appointed as the Chief Executive Officer effective October 1, 2015 and resigned on January 18, 2018.
- (d) Former Chief Financial Officer is the president of Pacific Opportunity Capital Ltd., a private company.
- (e) Softail Enterprises Inc. is controlled by a director of the Company.

### **Transactions with a company controlled by an officer**

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 as well as raw materials valued at \$26,579 in preparation for the installation of additional towers.

### **Promissory notes with a company controlled by an officer**

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. During the three months ended February 28, 2019, the Company received an interest payment of \$14,536. As at February 28, 2019, the balance owing is \$232,768, of which \$220,000 represents the principal and the remaining balance is accrued interest.

On August 9, 2018, the Company executed a promissory note to lend VDL Colombia SAS, a company owned 50% by the Company's director, for up to 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. The Company has lent US\$75,000 and has received payment of CAD\$50,000 during the nine months ended February 28, 2019. As at February 28, 2019, the remaining balance of the loan is \$56,419.

### **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 February 28, 2019 and MD&A date:

	Issued and Outstanding	
	February 28, 2019	April 29, 2019
Common shares outstanding	152,908,108	152,908,108
Share options	10,800,000	10,500,000
Warrants	37,684,183	30,201,547
Broker's warrants	70,747	70,747
Fully diluted common shares outstanding	201,463,038	193,680,402

### 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.