



## Amended and Restated Management's Discussion and Analysis

### **AFFINOR GROWERS INC. AMENDED AND RESTATED MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2023**

#### **INTRODUCTION**

This is the Amended and Restated Management's Discussion and Analysis ("MD&A") for Affinor Growers Inc. ("Affinor" or the "Company") is prepared as at December 7, 2023. This MD&A is intended to help the reader understand the consolidated financial statements of Affinor.

The following information should be read in conjunction with the audited consolidated financial statements for the years ended May 31, 2023 and 2022 and the related notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A provides a review of the performance of the Company for the year ended May 31, 2023. Additional information relating to the Company can be found on SEDAR+ [www.sedarplus.ca](http://www.sedarplus.ca).

Management is responsible for the preparation and integrity of the 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 consolidated financial statements and MD&A, is complete and reliable.

The Company's board of directors (the "Board") follows recommended corporate-governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's audit committee (the "Audit Committee") meets with management regularly to review the 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.



## 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](http://www.sedarplus.ca), and/or on the Company's website at [www.affinorgrowers.com](http://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. The Company has one of the only vertically integrated growing systems 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 the 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](http://www.affinorgrowers.com)).

#### *Definitive Agreement – Freshbay Inc.*

On June 20, 2023, the Company announced that it entered into an Agriculture Technology Agreement dated June 16, 2023 (the "Definitive Agreement") with Freshbay, Inc. ("Freshbay").

Pursuant to the terms and conditions of the Definitive Agreement, Freshbay has engaged the Company to provide certain products and services for use at the Project Site to support Freshbay in its production and commercialization of strawberries. More specifically, the Company will:

- a) supply and arrange for the installation of 17,530 vertical hydroponic towers with self-pollinating capabilities at the Project Site (the "Towers").
- b) supply and arrange for the installation of 34 polycarbonate Atlantis greenhouses (the "Greenhouses") at the Project Site.
- c) arrange for the initial introduction between Freshbay and Berrymobile Fruit Distribution Inc. to explore the purchase of strawberries grown at the Project Site (the "Offtake Products").
- d) grant Freshbay certain licenses to use certain trademarks, intellectual property, and standard operating procedures of the Company.

As consideration for the products and services to be provided by the Company, and in accordance with the terms and conditions of the Definitive Agreement, Freshbay has agreed to pay the Company 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.
- b) the parties agree to a work schedule for the project.

Assuming the conditions precedent are satisfied, \$20,000,000 of the Contract Price will be payable within two business days of the satisfaction of the conditions precedent, and \$47,878,675 will be payable on the date that is thirty days thereafter. The remaining portion of the Contract Price is payable in installments based on the delivery of the Equipment at the Project Site.

### **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.

### **Impairment of Intangible Assets**

The Company completed an impairment analysis as at May 31, 2023 and concluded that there was impairment of \$3,333 of the Company's intangible assets.



## Selected Annual Information

	Year Ended May 31, 2023	Year Ended May 31, 2022	Year Ended May 31, 2021
Total revenues	\$ -	\$ -	\$ -
Impairment of property and equipment, receivables, deposits and loans	(3,333)	-	(45,434)
Loss for the year	(635,300)	(1,335,753)	(1,021,858)
Loss per share	(0.03)	(0.06)	(0.01)
Total assets	2,145,114	2,439,068	1,773,038
Total long-term financial liabilities	588,710	588,121	-
Cash dividends declared – per share	N/A	N/A	N/A

Net loss for the year ended May 31, 2023 decreased to \$635,300 (2021 - \$1,335,753) primarily as a result of \$Nil in stock-based compensation (2022 - \$466,858) due to no issuance of stock options,. The Company also decreased its consulting and subcontractors costs to \$16,880 (2022 - \$170,629) due to decreased in activities during the current fiscal year.

Net loss for the year ended May 31, 2022 increased to \$1,335,753 (2021 - \$1,021,858) primarily as a result of \$466,858 in stock-based compensation (2021 - \$NIL) offset by a decrease in professional fees (legal) of \$140,549 (\$453,448) due to a recovery of prior year legal fees. There was also an increase in consulting and subcontractor costs to \$170,629 (2021 – 39,500) and other operating costs to \$129,594 (2021 - \$7,644) due to increased activities relating to running the greenhouse.

### Fourth Quarter

The Company did not have any significant events or transactions in the quarter of May 31, 2023 to report.

### Summary of Quarterly Results

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

	Three Months Ended			
	May 31, 2023	February 28, 2023	November 30, 2022	August 31, 2022
Total revenues	\$ -	\$ -	\$ -	\$ -
Net income (loss)	(193,021)	(181,176)	(86,718)	(174,385)
Income (loss) per share	(0.01)	(0.01)	(0.06)	(0.01)

	Three Months Ended			
	May 31, 2022	February 28, 2022	November 30, 2021	August 31, 2021
Total revenues	\$ -	\$ -	\$ -	\$ -
Net income (loss)	(1,099,919)	(173,632)	87,176	(149,378)
Loss per share	(0.06)	(0.00)	0.00	(0.00)



Net loss for the quarter ended May 31, 2022 increased to \$193,021 (February 28, 2023 – \$181,176) primarily as a result of \$21,637 (February 28, 2023 – \$1,734) in other operating expenses, and \$22,261 (August 31, 2022 – \$3,970) in registration and information to shareholders.

Net loss for the quarter ended February 28, 2023 increased to \$181,176 (November 30, 2022 - \$86,718) primarily as a result of \$68,339 \$38,993 in professional fees (2021 – recovery of \$29,130).

Net loss for the quarter ended November 30, 2022 decreased to \$86,718 (August 31, 2022 – \$174,385) primarily as a result of recovery of professional fees of \$29,130 (August 31, 2022 – expense of \$38,889), and \$5,845 (August 31, 2022 – \$15,256) in registration and information to shareholders,.

Net loss for the quarter ended August 31, 2022 decreased to \$174,385 (May 31, 2022 - \$1,099,919) primarily as a result of \$Nil in share-based compensation (May 31, 2022 - \$466,858) relating to stock option grants.

Net loss for the quarter ended May 31, 2022 increased to \$1,099,919 (February 28, 2022 - \$173,632) primarily as a result of \$466,858 in stock-based compensation (2022 - \$Nil), offset by a decrease of \$312,899 in professional fees (2022 - \$140,549) which was primarily a result of a decrease in legal fees paid. The Company operating costs also increased by \$121,950 (2022 - \$129,594) relating to costs of producing strawberries for potential sales. The Company also recorded \$93,093 (2022 - \$14,475) of depreciation on property, plant and equipment, the increase is due to equipment that became operational in 2022.

Net loss for the quarter ended February 28, 2022 increased to \$173,632 (November 30, 2021 – income of \$87,176) primarily as a result of \$50,718 in registration and information to shareholders (2021 - \$35,293), \$20,000 in share-based compensation (2021 - \$Nil) relating to stock option grants, \$38,993 in professional fees (2021 – recovery of \$176,514). The Company also recorded \$13,028 (2021 - \$806) of depreciation.

Net income for the quarter ended November 30, 2021 decreased to \$87,176 (August 31, 2021 - \$149,378) primarily as a result of a \$176,514 recovery in professional fees (2021 – expense of \$14,334) relating to legal fees and a decrease in registration and information to shareholders (2022 - \$35,293, 2021 - \$76,274).

Net loss for the quarter ended August 31, 2021 decreased to \$149,378 (May 31, 2021 - \$729,347) primarily as a result of \$38,491 wages, employee benefits and training (2021 – \$48,462), a decrease in registration and information to shareholders (2022 - \$6,592 , 2021 - \$146,231) and a decrease in professional fees paid (2022 - \$4,784, 2021 - \$409,660) due to an increase in legal fees in the prior period.

## **Review of Operations and Financial Results**

### For the year ended May 31, 2023 and year ended May 31, 2022

During the year ended May 31, 2023, the Company reported a loss of \$635,300 (\$0.03 loss per share) (2022 – \$1,335,753) (\$0.06 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 year ended May 31, 2023, compared with May 31, 2022 were:

- Amortization – right of use asset was \$59,953 as compared with \$32,474 in 2022. The increase was a result of amortization of the right of use asset leased by the Company.
- Consulting fees were \$16,880 (2022 - \$170,629). During the year ended May 31, 2023, the Company stopped greenhouse operations and also was also subject to a cease trade, so the need for consultants decreased.
- Investor relations and promotion was \$8,372 as compared with \$149,672 in 2022. The decrease was a result of the Company’s cost saving efforts during the current year during the time the stock was not trading.
- Registration and information to shareholders were \$47,332 compared with \$63,301 in 2022. The decrease was a result of lower regulatory fees due to the Company’s inactivity in fiscal 2023.
- Management fees were \$160,000 compared with \$26,667 in 2022. The increase was a result of fees incurred for the services provided by the CEO during the current year.
- Share-based payment of \$Nil compared with \$466,858 in 2022. The decrease was a result of fewer stock options being granted during the current period.
- Travel of \$Nil (2022 - \$21,502). The Company had less of a need to travel, so travel fees decreased in fiscal 2023.
- Other operating expenses were \$48,369 compared with \$129,594 in 2022. The decrease was a result of the Company curtailing greenhouse operations in fiscal 2023. Other operating expenses were primarily due to costs incurred relating to incidental sales of strawberries that did not meet the definition of revenue.

For the three months ended May 31, 2023 and three months ended May 31, 2022

During the three months ended May 31, 2023, the Company reported a loss of \$193,021 (\$0.01 loss per share) (2022 – \$1,099,919) (\$0.00 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 May 31, 2023, compared with May 31, 2022 were:

- Professional fees were \$59,847 as compared with \$270,136 in 2022. The decrease was a result of legal fees paid for the maintenance patents during the comparative period.
- Share-based payment of \$Nil compared with \$446,858 in 2022. The decrease was a result of fewer stock options being granted during the current period.
- Management fees were \$40,000 compared with \$26,667 in 2022. The increase was a result of fees incurred for the services provided by the CEO during 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.

During the year ending May 31, 2023, the Company:

- i) settled \$229,355 of debt by issuing 2,293,550 units of the Company. Each unit consists of one common share and one share purchase warrant exercisable at \$0.15 expiring on August 2, 2023.
- ii) the Company completed a private placement for 1,550,000 units at \$0.08 per unit for total proceeds of \$124,000. Each unit consists of one common share and one share purchase warrant exercisable at \$0.10 for 24 months. The Company paid \$1,920 as finders’ fees. Each agent warrant is convertible into a common share of the Company at \$0.10 through October 12, 2023.

The Company had working capital deficiency of \$1,218,095 as at May 31, 2023 (2022 - \$1,152,303).

As at May 31, 2023, the Company had cash and cash equivalents of \$2,172 (2022 - \$1,815).

Cash flows used in operating activities was \$300,602 (2022 - \$557,337) as at May 31, 2023, primarily because of change in non-working during the current year.

Cash flows used in investing activities was \$Nil (2022 - \$441,790) as at May 31, 2023, primarily because of purchase of property and equipment during the comparative year.

Cash flows provided by financing activities was \$300,959 (2022 - \$567,290) as at May 31, 2023 was due to private placement and loans received during the current year.

**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 year ended May 31, 2023	For the year ended May 31, 2022
Consulting fees	\$ -	\$ 77,000
Management fees	\$ 160,000	\$ 26,667
Share-based compensation	\$ -	\$ 249,494

At May 31, 2023, the Company had the following amounts owing to related parties:

- i) accounts payable of \$68,250 (2022 - \$68,250) owing to a former director of the Company (Softtail Enterprises Inc), and \$Nil (2022 - \$16,942) owing to a former CFO (Sarj Dhaliwal).

- ii) loan payable to the CEO (Nick Brusatore) of \$13,955 (2022 - \$64,431). The amount is non-interest bearing with no fixed terms for repayment.

	Services	Transactions for the year ended		Balance due	
		May 31, 2023	May 31, 2022	As at May 31, 2023	As at May 31, 2022
Softail Enterprises Inc.	Consulting fees	\$ -	\$ -	\$ 68,250	\$ 68,250
Rick Easthom, Director	Consulting fees and share-based payment	\$ -	\$ 80,956	\$ -	\$ -
Sarj Dhaliwal, former Chief Financial Officer	Consulting fees and share-based payment	\$ -	\$ 135,956	\$ -	\$ 16,942
Nick Brusatore, Chief Executive Officer	Management fees and share-based payment	\$ 160,000	\$ 66,293	\$ 13,955	\$ 64,431
Alan Boyce, Director	Share-based payment	\$ -	\$ 69,956	\$ -	\$ -

## Industrial Lease

During the year ended May 31, 2021, the Company entered into an industrial lease with the CEO of the Company (the “Original Lease Agreement”), whereby the Company leased from the CEO the Greenhouse and compost buildings (the “Greenhouse”) and their equipment and fixtures on his property (the “Property”) in Abbotsford, BC (the “Lease”) (See Note 9(b)). Pursuant to the Lease, the CEO was responsible for the Landlord’s Work at the Company’s expense and the Company was responsible for the Tenant’s Work at its expense, to render the Greenhouse complete and suitable to open for business. During the year ended May 31, 2022, the Landlord’s work was completed, and the Greenhouse was made available to the Company. Subsequent to May 31, 2023, the CEO sold the premises to a director and officer of the Company (the “Purchaser”) and entered into an assignment agreement whereby the rights and obligations granted to the CEO pursuant to the Original Lease Agreement have been assigned to and assumed by the Purchaser. The terms of the Original Lease Agreement remain unchanged.

All the costs associated with the Greenhouse improvements were transferred from work-in-progress to Greenhouse. All assets that are not attached to the Greenhouse, such as the lights and the towers and their respective watering system are included in the Vertical Growing Farms category.

### Right of Use asset/Lease Liability

IFRS 16 Leases requires that the Tenant, recognized a right-of-use asset and a lease liability on its consolidated statements of financial position at the commencement date of the lease. Accordingly, the asset and the liability have been appropriately reported.

The continuity of ROU assets for the year ended May 31, 2023 is as follows:

May 31, 2021	\$	-
ROU asset on commencement		599,528
Amortization of ROU asset		(32,474)
May 31, 2022		567,054
Amortization of ROU asset		(59,953)
May 31, 2023	\$	507,101





The continuity of lease liabilities for the year ended May 31, 2023 is as follows:

Lease liability, May 31, 2021	\$	-
Lease liability on commencement		599,528
Deferred lease payment		(11,725)
Interest expense		318
Lease liability, May 31, 2022		588,121
Interest expense		589
Lease liability, May 31, 2023	\$	588,710
Current lease liability	\$	-
Long term lease liability	\$	588,710

During the year ended May 31, 2022, the Company recognized lease liabilities of \$599,528 for the right of use asset.

The Company has not made any lease payments since inception and accrued interest expense in arrear of \$589 (2022 - \$318) during the year ended May 31, 2023. 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 May 31, 2023, the Company had current liabilities of \$1,269,067 (2022 - \$1,268,277), the majority of which have contractual maturities of less than 30 days and are subject to normal trade terms. As at May 31, 2023, the Company has a working capital deficiency of \$1,218,095 (2022 - \$1,152,303). The ability of the Company to continue its activities relies upon the support of its suppliers and obtaining additional financing.

#### (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, receivables (excluding GST/sales taxes), deposits and due from related parties. Cash is held with a Canadian chartered bank and management considers this risk to be negligible. The amounts due from related parties are unsecured.



(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 consolidated statement of comprehensive loss, which is the effect of currency rates on expected future cash flows and investments.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### **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 our potential liability by analyzing our litigation and regulatory matters using available information. The Company develops our views on estimated losses in consultation with outside counsel handling our 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 our 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 our results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs.

#### Temporary Order and Notice of Hearing

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 totaling \$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 has been 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.

At a hearing held on December 7, 2018, the BCSC executive director asked the BCSC to extend the temporary orders, which were to expire on December 11, 2018, until a hearing was held and a decision rendered. The temporary orders were extended at the completion of the hearing until a decision was issued on this application.



On January 15, 2019, the BCSC issued its decision with respect to the temporary orders. With respect to the Company, it found that the executive director had not provided prima facie evidence of having engaged in conduct contrary to the public interest and, accordingly, the temporary orders were not extended. It was also concluded that it is in the public interest to not proceed with the hearing until the BCSC investigation has concluded.

During the year ended May 31, 2021, the Notice of Hearing was amended to remove the Company as a respondent and there is no current proceeding against the Company from the 2019 proceeding. However, the BCSC held the right to re-institute proceedings in the future and the Company received notice of the re-institution on January 26, 2022 when the BCSC issued a new Notice of Hearing. An enforcement hearing commenced in March 2023 and resumed in October 2023 and has not yet concluded.

The Company has made an assessment and, at this time, the Company has only disclosed information that will not prejudice the position of the Company in this dispute.

The Company has made an assessment and, at this time, the estimated financial effect is unknown. As such no contingency has been made.

#### Notice of Civil Claim

In relation to the above noted issue, the Company was served with a notice of civil claim (the "Claim") filed on July 11, 2019 with the Supreme Court of British Columbia by Michael Tietz and Duane Lowen under the Class Proceedings Act, RSBC 1996, c 50, naming the Company, its CEO and former CFO as defendants along with 86 additional defendants. The Claim relates to allegations of conspiracy, secondary market misrepresentations and fraudulent/negligent misrepresentations arising out of certain agreements entered into with consultants by the Company and other reporting issuers.

During the year ended May 31, 2022, the Court denied the Plaintiffs' application for leave to bring the Claim. The Plaintiffs filed an appeal. The Court of Appeal overturned the earlier court decision and granted leave to the Plaintiff to bring the Claim. The Company filed for leave to the Supreme Court of Canada to appeal the Court of Appeal's ruling granting leave to bring the secondary market claims. The certification hearing for the putative class action occurred on October 6, 2023.

During October 2023, the B.C. Supreme Court certified the claims against the Company for settlement purposes only and approved the settlement agreement (with the class plaintiffs of the putative class proceedings, Tietz and others v. Bridgemark Financial and others, filed against it and two officers of the Company in 2019). The settlement was made without any admission of liability by the Company. The Company and other settling parties have agreed to pay an aggregate of \$1,340,000 for the benefit of the class members.

The Company anticipates recovery of legal fees pertaining to this matter from its insurance carrier.

#### Claim

During July 2022, the Company filed a claim against Bridgemark Financial Group in the British Columbia Supreme Court for contribution and/or indemnity in connection with the above civil claim. No accrual for potential recovery has been recorded in respect of this claim.



## 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 consolidated financial statements for the year ended May 31, 2023.

### 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 25,989,915 common shares outstanding at November 24, 2023.

#### Stock options

The Company had the following stock options outstanding at November 24, 2023.

<u>Expiry date</u>	<u>Exercise price</u>	<u>Options Outstanding</u>
May 10, 2025	\$ 0.50	200,000
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
		<u>1,400,000</u>



## Warrants:

The Company had the following warrants outstanding at November 24, 2023.

Expiry date	Exercise price	Warrants Outstanding
January 14, 2024	\$ 0.50	1,043,001
October 12, 2024	\$ 0.10	1,550,000
		2,593,001

## Change in Management

On June 8, 2022, the Company appointed Nick Brusatore as the Interim Chief Financial Officer of the Company. Mr. Brusatore will replace Sarj Dhaliwal who served as the Company's Chief Financial Officer from December 8, 2020 to June 07, 2022.

On July 8, 2022, Rick Easthom has resigned as Chairman of the Company.

On July 12, 2022, the Company appointed Ben Hogervorst as Chairman of its Board.

## Corporate Governance Practices

National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("NI 58-101") requires issuers to disclose their corporate governance practices and National Policy 58-201 - *Corporate Governance Guidelines* provides guidance on corporate governance practices. This section sets out the Company's approach to corporate governance and addresses the Company's compliance with NI 58-101.

Corporate governance refers to the policies and structure of the board of directors of a company, whose members are elected by and are accountable to the company's shareholders. Corporate governance encourages establishing a reasonable degree of independence of the board of directors from executive management and the adoption of policies to ensure the board of directors recognizes the principles of good management. The Board is committed to sound corporate governance practices as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making.

## Board of Directors

Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A "material relationship" is a relationship which could, in the Board's opinion, be reasonably expected to interfere with the exercise of a director's independent judgment.

The Board facilitates its independent supervision over management of the Company through frequent meetings of the Board at which members of management or non-independent directors are not in attendance and by retaining independent consultants where it deems necessary.

Management is delegated the responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Company's business in the ordinary course, managing cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The Board facilitates its independent supervision over management by reviewing and approving long-term strategic, business and capital plans, material contracts and business transactions, and all debt and equity financing transactions. Through its Audit Committee, the Board examines the effectiveness of the Company's internal control



processes and management information systems. The Board reviews executive compensation and recommends stock option grants.

For the year ended May 31, 2023, the members of the Company's Board were Alan Boyco, Rick Easthom, Ben Hogervorst, and Nick Brusatore. Alan Boyco and Rick Easthom are independent members of the Company's Board, however, Nick Brusatore and Ben Hogervorst are not independent as they are both officers of the Company.

### **Directorships**

None of the directors of the Company are currently serving on the board of any other companies.

### **Orientation and Continuing Education**

The Board does not have any formal policies with respect to the orientation of new directors nor does it take any measures to provide continuing education for the directors. At this stage of the Company's development, the Board does not feel it necessary to have such policies or programs in place.

### **Ethical Business Conduct**

To date, the Board has not adopted a formal written Code of Business Conduct and Ethics. However, the current limited size of the Company's operations, and the small number of officers and consultants, allow the Board to monitor on an ongoing basis the activities of management and to ensure that the highest standard of ethical conduct is maintained. As the Company grows in size and scope, the Board anticipates that it will formulate and implement a formal Code of Business Conduct and Ethics.

### **Nomination of Directors**

The Board has not adopted a formal process to select new nominees to the Board. The current nominees have been recruited by the current Board members, and the recruitment process has involved both formal and informal discussions among Board members and the CEO.

### **Compensation**

The quantity and quality of the Board and CEO compensation is reviewed on an annual basis and determined by the Board as a whole, which allows the independent directors to have input into compensation decisions. At this time, the Company does not believe its size and limited scope of operations requires a formal compensation committee.

### **Other Board Committees**

In addition to the Audit Committee, the Board also has a special committee of disinterested directors (the "**Special Committee**") consisting of Alan Boyco and Rick Easthom. The Special Committee is authorized and directed to take such acts and do such things as the members of the Special Committee believe, in the exercise of their business judgement, are reasonably necessary or appropriate in connection with the securities proceedings and class proceedings relating to the Company, including retain, at the Company's expense, such external financial, legal and other advisors as the members of the Special Committee may consider necessary or advisable from time to time to perform those duties hereunder and determine the mandate and remuneration of those advisors, and to perform such other duties and responsibilities as may be assigned by the directors to the Special Committee from time to time.

The Company does not have any committees other than the Audit Committee and Special Committee.



### **Assessments**

The Board monitors the performance of individual Board members and their contributions. The Board does not, at present, have a formal process in place for assessing the effectiveness of the Board as a whole, its committees or individual directors, but will consider implementing one in the future should circumstances warrant. Based on the Company’s size, its stage of development and the limited number of individuals on the Board, the Board considers a formal assessment process to be inappropriate at this time.

### **Audit Committee and Relationship with Auditor**

Under National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”), companies are required to provide disclosure with respect to their audit committee, including the text of the audit committee’s charter, the composition of the audit committee and the fees paid to the external auditor.

### **Audit Committee Charter**

The full text of the Company’s Audit Committee Charter is attached as Schedule “A” to the Company’s information circular dated October 10, 2017.

### **Composition of the Audit Committee**

For the year ended May 31, 2023, the following persons were members of the Audit Committee:

Nick Brusatore	Non-Independent	Financially Literate
Alan Boyco	Independent	Financially Literate
Rick Easthom	Independent	Financially Literate

A member of the Audit Committee is independent if the member has no direct or indirect material relationship with the Company. A material relationship means a relationship, which could, in the Board’s reasonable opinion, interfere with the exercise of a member’s independent judgement.

A member of the Audit Committee is considered financially literate if he or she has the ability to read and understand a set of financial statements presenting a breadth and level of complexity of accounting issues generally comparable to the breadth and complexity of issues one can reasonably expect to be raised by the Company.

### **Relevant Education and Experience**

Each member of the Company’s Audit Committee has adequate education and experience relevant to their performance as an Audit Committee member and, in particular, the requisite education and experience that provides the member with:

- (a) an understanding of the accounting principles used by the Company to prepare its financial statements and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;
- (b) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements or experience actively supervising individuals engaged in such activities; and
- (c) an understanding of internal controls and procedures for financial reporting.



**Nick Brusatore**

Mr. Brusatore is known globally for being a top designer and leader in vertical farming technology. He was the Chairman of the Applied Research Committee for BCIT for several years and was nominated for the AGRI Award of Excellence for Canada in 2012. Nick was a keynote speaker at the International Conference on Marijuana in New York City and the moderator in San Francisco and regularly sits on discussion panels as an expert in this industry. Nick is the original designer of Terrasphere Systems and is currently the designer of Vertical Designs Ltd. Nick brings over 17 years experience in AGRI Designs, plant physiology and the manipulation of metabolic pathways to achieve organic chemistry. Nick recently worked in the biotech sector growing transgenic tobacco for a pharmaceutical giant as well as transgenic safflower to create insulin for medical use.

**Alan Boyco**

Dr. Boyco, BSc, OD is a licensed optometrist with expertise focused on sports eye care and anterior segment/glaucoma. He received his bachelor of science (biology and psychology) from the University of Alberta, and then went on the graduate from the Pacific University School of Optometry. He maintains multiple practices throughout the Lower Mainland of British Columbia. Through running his practices, Dr. Boyco has the ability to assess the general application of accounting principles used by the Company in connection with the accounting for estimates, accruals and provisions and he is experienced with actively supervising individuals in the preparation, analyzation, and evaluation of financial statements.

**Rick Easthom**

Mr. Easthom worked 30 years for the Overwaitea Food Group and finished as the Director of Corporate Brands. He also worked for 10 years for Choices Markets as Manager of Business Development and was instrumental in the growth of the successful retail food chain. Through his experience working in the retail grocery industry, Mr. Easthom was responsible for generating and reviewing budgets and often worked closely with finance department. Accordingly, Mr. Easthom has a good understanding of accounting principles, including the principles used by the Company to prepare its financial statements.

**Audit Committee Oversight**

The Audit Committee has not made any recommendations to the Board to nominate or compensate any auditor other than Zeifmans LLP, Chartered Professional Accountants.

**Pre-Approval Policies and Procedures**

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

**External Auditor Service Fees**

The Company’s current auditor, Zeifmans LLP, Chartered Professional Accountants, completed the Company’s audit for the years ended May 31, 2023 and 2022. The Audit Committee has reviewed the nature and amount of the non-audit services provided by the Company’s auditors to the Company to ensure auditor independence. Fees incurred with the auditors, for audit and non-audit services in the last two fiscal years are outlined in the following table:

<b>Financial Year Ending</b>	<b>Audit Fees<sup>(1)</sup></b>	<b>Audit Related Fees<sup>(2)</sup></b>	<b>Tax Fees<sup>(3)</sup></b>	<b>All Other Fees<sup>(4)</sup></b>
May 31, 2023	\$40,000 <sup>(5)</sup>	Nil	Nil	Nil
May 31, 2022	\$40,000	Nil	Nil	Nil

**Notes:**





- (1) “Audit Fees” include fees necessary to perform the annual audit and quarterly reviews of the Company’s consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) “Audit-Related Fees” include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) “Tax Fees” include fees for all tax services other than those included in “Audit Fees” and “Audit-Related Fees”. This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) “All Other Fees” include all other non-audit services.
- (5) Estimated Audit Fees.

### **Reliance on Certain Exemptions**

The Company is a “venture issuer” as defined in NI 52-110 and relies on the exemption in section 6.1 of NI 52-110 relating to Parts 3 (*Composition of Audit Committee*) and 5 (*Reporting Obligations*).

### **Information on the Board of Directors and Management**

#### **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 Interim Chief Financial Officer