

AFFINOR

GROWERS



CHANGING THE WAY THE WORLD GROWS

BUSINESS PLAN APRIL 2021

– Notice –

The information presented in this document is highly sensitive and confidential and is to be used by authorized parties for the purpose of determining a preliminary indication of interest in Affinor Growers Inc. (“Affinor” or “the Company”). The recipient of the Business Plan agrees by its receipt not to reproduce, duplicate, or reveal, in whole or in part, information presented herein without the written permission of the Company.

The information contained in the Business Plan was provided by the Company and other sources. It has been reviewed, approved, and released by the Company, who assumes responsibility for its contents. Estimates and projections contained herein have been prepared by the management of the Company, involve significant elements of subjective judgment and analysis, and are based on certain assumptions. Actual results may vary from estimates and projections and these variations may be material.

No representation or warranty, expressed or implied, is made as to the accuracy or completeness of the information contained in this overview, and nothing contained herein is, or shall be relied upon as, a promise or representation, whether as to the past or the future. The Business Plan does not purport to contain all of the information that may be required to fully evaluate the Company for a potential business relationship, and any recipient thereof should conduct its own independent analysis and due diligence process.

THIS PRESENTATION IS FOR INFORMATION PURPOSES ONLY AND DOES NOT CONSTITUTE AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY ANY SECURITY.

For additional information, contact:



Mr. Nick Brusatore
Affinor Growers Inc.
Tel: 604-356-0411

4th Floor, 595 Howe St, Vancouver, BC V6C 2T5

Company e-mail address:
info@affinorgrowers.com

Website: www.affinorgrowers.com

This Business Plan was prepared by:



Concord Business Development Inc.

500-666 Burrard Street

Vancouver, BC V6C 3P6 Canada

Tel : (604) 689-2556 Fax : (604) 689-7758

Website: www.concordbusiness.com

Email: info@concordbusiness.com

Highlights	
Name of Company	Affinor Growers Inc. (“Affinor” or the “Company”).
Location	Affinor’s 15,000 square foot greenhouse is in Abbotsford, BC, in the agricultural region of the Fraser Valley.
Business	Greenhouse operations leveraging Affinor’s proprietary vertical farming technology for growing fruits, vegetables and cannabis.
Target Markets	Affinor has three target markets using its rotating towers: 1) Sales of fruits and vegetables to produce distributors; and 2) Cannabis flower for sale directly to retailers, wholesalers, provincial government online stores, LPs, medical online stores and directly to consumers from an onsite store. 3) Licencing patents and QA processes to the world.
Market Sizes	Cannabis sales in Canada were CDN\$2.6B in 2020, up 120% from 2019 according to Statistics Canada. The global indoor farming technology market is projected to be \$ 40.25 billion by 2022 ¹ . Using a CAGR of 33% the global cannabis market is projected to reach USD 97.35 billion by the end of 2026.
Funds Required	\$1 million to construct and operate a combined food and cannabis vertical growing operation in Abbotsford BC within Affinor’s current operation.
Revenue Projections	2022- \$6,002,800; 2023- \$12,057,320; 2024- \$20,851,908; 2025- \$32,072,625; 2026- \$53,794,988.

CONTENTS

1	Executive Summary	1
1.1	Company Overview	1
1.2	The Opportunity	2
1.3	Business Model	2
1.4	Unique Value Proposition	3
1.5	The Benefits of Affinor Vertical Farming Technology	3
1.5.1	Sustainability	3
1.5.2	Water Management	4
1.6	The Advantages of Affinor Vertical Farming Technology	4

¹ April 2018. https://marketsandmarkets.com/Market-Reports/indoor-farming-technology-market-40175861.html#utm_source=guestpost&utm_medium=FnB&utm_campaign=guestpost_FnB&utm_content=FnB_Group#utm_source=guestpost&utm_medium=FnB&utm_campaign=guest_FnB&utm_content=FnB_LGroup

1.7	Canadian Agriculture.....	4
1.8	Revenue and Profitability Summary.....	5
2	Corporate Overview.....	6
2.1	Corporate Data.....	6
2.2	Vision.....	6
2.3	Mission.....	6
2.4	Company Bios.....	7
2.4.1	Mr. Rick Easthom, Director and Chairman of the Board.....	7
2.4.2	Mr. Nick Brusatore, Director and CEO.....	7
2.4.3	Alan Boyco - Director.....	7
2.4.4	Sarj Dhaliwal - CFO.....	7
2.4.5	Craig Farlinger BSc - CEO of Vertical Designs BC LTD.....	8
2.4.6	Tom Baumann – Advisor & Associate Professor of Agriculture at UFV.....	8
2.5	Agreements and Strategic Alliances.....	8
2.5.1	University of the Fraser Valley.....	8
2.5.2	Fundamental Lighting Solutions.....	9
2.5.3	Urban Vertical Farms.....	9
2.6	Patents.....	9
2.7	Research and Development.....	10
3	Products.....	10
3.1	Technology Development.....	10
3.1.1	The Rotating Tower.....	10
3.1.2	Rotating Tower Design for Strawberry Production.....	11
3.1.3	Rotating Tower Design for Cannabis and Lettuce Production.....	12
3.2	The Affinor Advantage.....	12
4	Market Analysis.....	13
4.1	The Future is in Smart Agriculture.....	13
4.1.1	Population Growth.....	13
4.1.2	Climate Change Pressures.....	14
4.1.3	Smart Agriculture as a Solution.....	14
4.1.4	Cannabis Market Breakdown.....	14
4.2	Market Drivers.....	16
4.3	Consumer Preferences.....	16
4.4	Fresh Produce Market Size.....	17
4.5	Organic Certification.....	18
4.6	Cannabis Market.....	19

5	Marketing	20
5.1	Brand Development	20
5.2	Product Value.....	20
5.3	Web Strategy and Web Development Plan	20
5.4	Sales and Distribution	21
5.5	Cannabis Associations and Organizations	21
5.5.1	Cannabis Growers of Canada	21
5.5.2	Cannabis Canada Association	22
5.5.3	Craft Cannabis Association of BC.....	22
5.5.4	Cannabis Trade Alliance of Canada (CTAC).....	22
5.6	Cannabis Trade shows.....	22
5.6.1	International Cannabis Business Conference	22
5.6.2	Lift & Co Conference	23
5.6.3	Canadian Cannabis Summit.....	23
5.6.4	Cannabis and Hemp Expo.....	23
5.6.5	O’Cannabiz Conference and Expo	23
5.7	Vertical Farming Associations	23
5.7.1	Association for Vertical Farming.....	24
5.7.2	The Food and Agriculture Organization of the United Nations	24
5.8	Trade Shows and Conferences	24
5.8.1	Canadian Greenhouse Conference.....	24
5.8.2	Vertical Farming Conference.....	25
5.8.3	Agrifood Innovation Event	25
6	Financial Analysis	25
6.1	Affinor Revenue Projections	25
6.2	Vertical Designs BC Financials	26
7	Bibliography.....	28

1 EXECUTIVE SUMMARY

1.1 Company Overview

Affinor Growers Inc. (“Affinor” or “the Company”), is a vertical farming technology and greenhouse operations company. It is publicly traded on the Canadian Securities Exchange under the symbol AFI (“CNSX: AFI”), and on the US OTCQB under the symbol RSSFF (“OTCQB: RSSFF”).

The company’s growth plan is to aggregate food and cannabis growing facilities in Canada, in conjunction with an aggressive international licensing program.

Over the last 15 years, Affinor CEO, Nick Brusatore designed and established manufacturing capacity for Affinor’s growing towers with top manufacturers in Canada. The towers provide a 4-10x increase in yield per square meter depending on the crop. It is sustainable technology. Typical water use is cut down by 95%, and soils are remediated onsite.

In 2019, Nick Brusatore completed a vertical cannabis test grow using a medical license. The Purple Kush passed all Health Canada standards and tested at 29% THC. The recent private placement also funds the construction and operation of the first full size, 600 kg annual capacity, micro cultivation licensed, vertically grown cannabis greenhouse and processing facility. Micro cultivation licensing is faster, requires less capital investment and shares lab, HR and soil remediation with food growing.

A core business strategy of the company is to maximize annual recurring revenue (ARR) by wholly owning and operating greenhouse growing operations using Affinor’s patented vertical technology and processes. In this way, the company realizes value from the entire vertical up to wholesale/retail. Combining cannabis and food production provides higher margins. International licensing of the company’s vertical growing technology and QA processes are also expected to bring in high margin sales revenue valued at \$10 million over 5 years.

Affinor has leased a 10 year, 15,000 square foot greenhouse in Abbotsford BC. The company’s first combined facility growing romaine lettuce, strawberries and cannabis is 90% complete and on schedule for operations to begin in June 2021. The produce is being grown for a Canadian national distributor. The growth plan is to build out 3 additional cannabis and food combined operations in southern Alberta, Ontario and BC.

International growth is a two-pronged strategy: 1) 100% ownership of combined facilities; and 2) Country-wide licensing fees followed by leasing and sales of towers at a 40% margin. The company will pursue cannabis LP, processing and sales licenses both inside and outside Canada. The first Canadian cannabis micro cultivation license is expected in Q4 2021.

Company management expects their focus on ARR and craft cannabis to yield a 78% gross margin, and steady growth to over \$55 million in annual revenue by 2026, most of which will be organically achieved.

1.2 The Opportunity

Affinor's advantage is a confluence of commercialized research, more favourable regulations, higher quality craft cannabis, sustainability, cleantech, micro cultivation cost optimization and capital risk reduction. Affinor's proprietary vertical growing technology makes each of these advantages possible.

Health Canada micro cultivation licensing regulations went into effect October 17, 2018. Initially, there was a backlog of applications which have now been substantially cleared. The licensing has significantly lower costs, operational requirements, and is much faster to obtain – usually 4-6 months after building the facility. Much less capital is required to build out each facility and sit idle during licensing. There is no limit on the number of locations a single company or individual can license. New micro cultivation regulations are expected in 2022 that will allow direct sales to retailers and onsite consumer sales, among other liberalizations. Within the first 2 years the company will become an LP.

Affinor's vertical growing technology enables the company to optimize the maximum 200 square meter growing area allowed under micro cultivation licensing. A typical single layer grow would not be able to achieve even 50% of this allowed ceiling. In addition to increased yield, the vertical technology enables better airflow and spacing to reduce potential mould and mildew issues.

With the increase in consumer desire for healthier, sustainably grown produce, the introduction of legalized cannabis, and the changing climate towards legalization in other countries, vertical farming opportunities are rapidly increasing. Management has significant industry experience and a wealth of contacts, products, and proprietary cultivation technologies that match the best in class to position Affinor as a leader in the Vertical Farming sector.

1.3 Business Model

Affinor is focused on maximizing ARR by deploying its own vertical growing technology in its own growing facilities for fruit, vegetables and cannabis production. With this model, the company can realize the competitive advantages of growing in a 75% smaller greenhouse. Affinor's greenhouse operational strategy is 100% ownership of assets in local corporations holding cannabis licenses, permits and leases to grow in Canada and internationally. In countries that do not allow foreign ownership, or are deemed too risky, the company can license the vertical technology with a large upfront payment with tower sales to follow at a 40% margin.

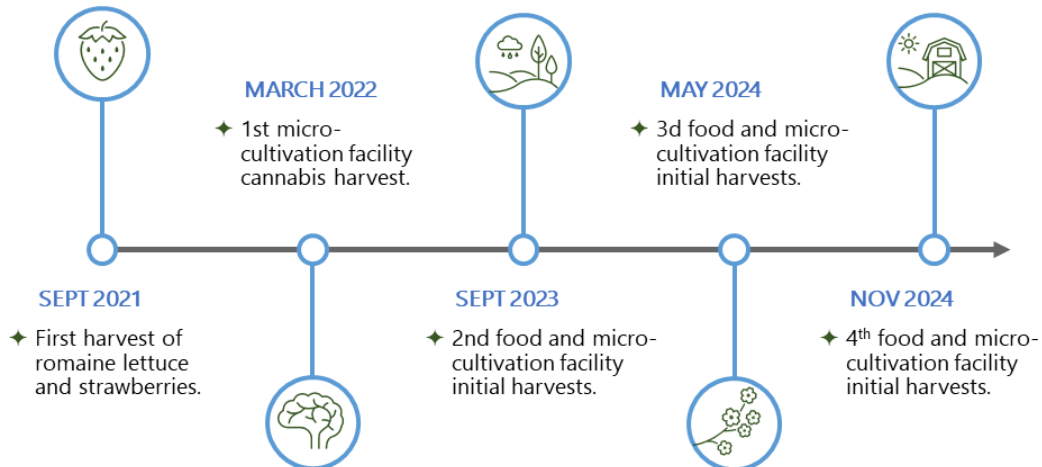
The company is combining food and cannabis production at 4 planned facilities – Abbotsford BC, Calgary AB, Toronto ON and another location in BC. Another 12 micro cultivation facilities or LP equivalent will be organically built out from 2023-2026 in Canada and internationally. Cannabis and food growing operations share a lot of resources to optimize costs, including soil remediation, lab and HR. The *combination* strategy provides a UVP driving technology adoption and turns a multi-acre, multi-million dollar asset with annual revenue of \$1.2 million, and a 40% margin, into a \$4.7 million annual revenue asset with a 78% margin. Cannabis returns assist in the increased deployment of food growing facilities and vice-versa.

Cannabis is expected to be a 10x revenue contributor compared to food production. There are operational and marketing synergies between the food and cannabis growing operations. Combining food and

cannabis production at a shared facility is a sustainable, low risk, high return approach whose time has come.

Affinor's Combined Facility Buildout Timeline

◆ The 5-year plan is for 4 food growing facilities with craft cannabis operations.



1.4 Unique Value Proposition

There is no other company in the world who has proprietary vertical growing technology, has completed cannabis vertical growing research, and is ready with scale manufacturing capability. There is a first mover advantage, but the driver is quality. There is a quality problem with industrial scale growing that has not been solved. Affinor has exclusive technology to increase quality while reducing cultivation costs.

1.5 The Benefits of Affinor Vertical Farming Technology

Affinor's vertical growing technology has the following benefits:

- ❖ Food can be grown closer to consumers enhancing freshness and reducing transportation costs.
- ❖ Grow with less water and land.
- ❖ Sustainable: Remediated soil and no toxic discharges into the environment.
- ❖ Grown in soil with no contaminants.

1.5.1 Sustainability

Affinor is at the forefront of the emerging shift toward the production of both quality cannabis grown in a technologically advanced environment, and sustainable fresh produce that is free from pesticides and never exposed to chemicals of any kind. The Company is committed to manufacturing technology for the pollutant-free production of cannabis and food that is fresher, healthier and measurably more nutrient dense than hydroponically grown crops. Greenhouse vertical farming helps to reduce the carbon footprint seen in traditional farming practices by reducing wasted resources, targeted water application and nutrient use, and elimination of the use of pesticides.

1.5.2 Water Management

Over 70% of the planet’s fresh water supply is used by agriculture. At the current rate of population growth, it is imperative for the industry to change its approach to water management. Affinor’s vertical farming system enables a solution to the global shortage of fresh water as it uses considerably less water than traditional agricultural methods of farming.

1.6 The Advantages of Affinor Vertical Farming Technology



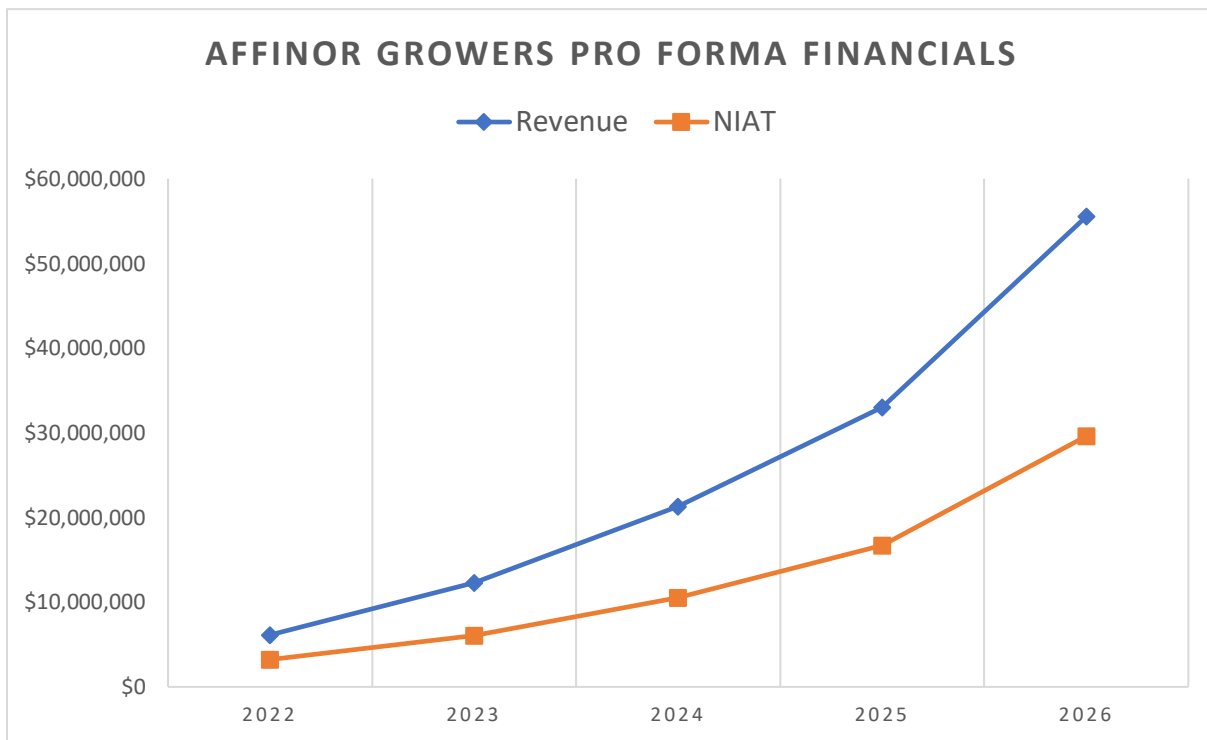
1.7 Canadian Agriculture

Canada's agri-food sector spans a wide range of industries, from primary agriculture and aquaculture to food, seafood, and beverage processing. The nation’s passionate and hard-working producers, processors, in addition to value chain partners, have earned Canada a global reputation as a supplier of safe and high-quality products.

By 2025, Canada will be one of the top five competitors in the agri-food sector, recognized as the most trusted, competitive and reliable supplier of safe, sustainable, high-quality agri-food products and an innovator in value-added products to feed the dynamic global consumer².

1.8 Revenue and Profitability Summary

Cannabis sales is expected to account for 82% of the company’s revenue and 86% of profitability with a 78% gross margin. A detailed breakdown of cannabis revenue, expenses and net income is given in the financials section.



² Agriculture and Agri-Food Canada. “We Grow a Lot More Than You May Think” (2018) Government of Canada. Retrieved from: <http://www.agr.gc.ca/eng/about-us/publications/we-grow-a-lot-morethan-you-may-think/?id=1251899760841>

2 CORPORATE OVERVIEW

2.1 Corporate Data

Legal Name of Company	Affinor Growers Inc. (“Affinor” or the “Company”)
Date of Incorporation	08/26/1996
Country of Incorporation	Canada
Principal Address of Business	4 th Floor, 595 Howe St, Vancouver, BC V6C 2T5
Telephone	604-356-0411
Email	info@affinorgrowers.com
Website	www.affinorgrowers.com
Legal Counsel	McMillan LLP
Auditor	DeVisser Grey
CEO	Nick Brusatore
Directors	Rick Easthom, Chairman and Director Alan Boyco, Independent Director Nick Brusatore, CEO and Director
Management	Nick Brusatore, CEO Craig Farlinger, CEO of Vertical Designs BC LTD Sarj Dhaliwal, CFO

2.2 Vision

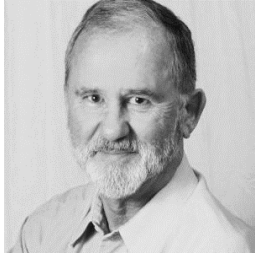
Affinor plans to become a premium producer of fresh produce and craft cannabis by leveraging its exclusive vertical farming technology and process knowledge.

2.3 Mission

Affinor is committed to becoming a pre-eminent supplier of quality food and cannabis in an ethical, environmentally friendly and energy efficient way, and to make a significant economic return for Affinor’s partners and shareholders.

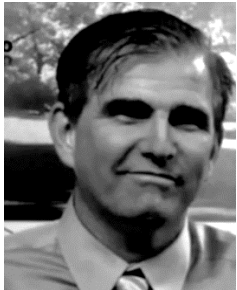
2.4 Company Bios

2.4.1 Mr. Rick Easthom, Director and Chairman of the Board



Mr. Easthom has been an advisor to Affinor since June 2014. He was Director of Corporate Brands for the Overwaitea Food Group, and Manager of Retail Development for Choices Markets. Rick has extensive produce retail experience and developing products, packaging, launching and merchandising at retail.

2.4.2 Mr. Nick Brusatore, Director and CEO



Mr. Brusatore is a design expert in the commercial production of plants using vertical growing technology. Nick was nominated for the award of excellence in Canada for agriculture in 2012 and was an early pioneer in the vertical farming space back in 2000. He is the initial funder and founder of Affinor Growers (AFI.CN).

2.4.3 Alan Boyco - Director



Alan has been an investor in vertical growing technology and director of Affinor Growers for many years. He is the official optometrist to the Vancouver Canucks, BC Lions, Vancouver Giants and Vancouver Grizzlies. Alan is a member of the BC, Alberta, Oregon and California Colleges of Optometrists.

2.4.4 Sarj Dhaliwal - CFO



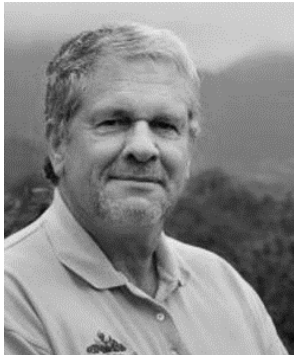
Sarj is involved in strategic planning to grow the company's top line, managing funding requirements, currency exchange exposure and investing excess funds to ensure protection of capital with reasonable rate of return. She ensures appropriate reporting to federal, provincial and state governments.

2.4.5 Craig Farlinger BSc - CEO of Vertical Designs BC LTD



Craig worked with Nick Brusatore to craft a cost efficient, financially optimized and quick to implement cannabis strategy for Affinor Growers. He brings strategic business expertise and experience acquired over a 38 year career in public markets, technology startups and the cannabis industry. Craig worked at Canaccord Genuity in 2018 and 2019, sitting in on capital markets presentations and acquiring extensive contacts in the cannabis industry. He has spent the last 6 years consulting to startups optimizing business processes and working in the software sector implementing new IT systems. Prior to Canaccord, he worked with about 80 different public companies over a 25 year career in public markets. Craig expertise and contacts ensure micro cultivation licensing without delay, genotype selection to grow the right cultivars for medical and recreational markets, documenting of Affinor’s phenotype quality assurance processes, marketing and business development.

2.4.6 Tom Baumann – Advisor & Associate Professor of Agriculture at UFV



Tom Baumann has two master’s degrees in plant science with a berry specialization (UBC, JLU). With more than 35 years of horticulture experience, Tom is passionate about agriculture and teaching the next generation of farmers. He has specialized in growing berries and has a particular interest in greenhouse design and function, greenhouse crop development, specialty crops, and plant growth regulators, and fertility management. He leads a consulting business, providing expertise to fruit, vegetable, greenhouse and nursery growers in the Fraser Valley. His areas of research are primarily on food production, as well as herbs, tropicals and novel crops, including medicinal.

2.5 Agreements and Strategic Alliances

2.5.1 University of the Fraser Valley



Affinor has entered into a long term relationship with the University of the Fraser Valley (“UFV”), to consult on strawberry growing in the newly designed soil-based, vertical growing tower with the use of Lighting at Affinor’s Abbotsford location.

The project is overseen and managed by Dr. Thomas Baumann Associate Professor of the U of FV well known agriculture expert. He has been responsible for the planning, development and creative problem solving of various projects, from plant micropropagation and functional/medicinal crop cultivation, to hydroponics and laboratory design.

2.5.2 Fundamental Lighting Solutions

Affinor has a four-year worldwide distribution agreement with Fundamental Lighting Solutions, which produces cost effective LED lighting tailored for commercial and indoor agriculture use. Affinor receives a commission of 10% on sales of greenhouse-coloured lights and commercial white lights. The commission agreement provides Affinor with 50% of all profits on sales of cannabis lights.

2.5.3 Urban Vertical Farms

Affinor currently has a licensing agreement in place with Urban Vertical Farms (Urban Farms), a private company based in Ontario, who own the exclusive rights to use the Company's rotating towers for food production in Ontario, as well as a first right of refusal for all projects in England and India. Affinor anticipates doing a joint venture with this group to develop a Toronto based food growing facility.



2.6 Patents

Affinor holds three patents for vertical farming technology.

- 1) Rotating towers in Canada, US Patent 61/942500, Aruba, and Colombia.
- 2) Affinor holds a patent for the Hydro tower in Canada, and in the US. US Patent # 186505.
- 3) An unused patent for a vertical farming racking system, for future R & D, US Patent # 61/592338.

2.7 Research and Development

Affinor will not be engaging in any additional technology research or development for the foreseeable future. The Company is fully committed to commercializing its mature vertical farming technology. Also, the company will be leveraging its accumulated expertise and research growing strawberries, romaine lettuce and cannabis.

Affinor's cannabis application requires data analytics, genomics and CX research. A full-time horticulturist will work at the new facility to optimize the current technology and help fine tune cannabis growing processes. Craig Farlinger has also designed a cannabis research project that has been reviewed by Health Canada and is ready for submission. This \$20,000 research project can provide a unique advantage to Affinor in licensing and genotype selection.

3 PRODUCTS

3.1 Technology Development

Affinor assembled a team of world-class engineers, manufacturers, and technologists to innovate agriculture in the vertical farming sector. Since October 2018, the Company has developed new tower designs and new technologies.

Affinor has a newly designed vertical farming tower for soil-based growing geared for strawberry production. A new hydroponic version of the rotating tower has been designed and made ready for manufacturing, along with a vertical farming tower that is a hybrid of hydroponic and aeroponic growing. The systems are designed to maximize cost effective production. Most recently, the Company has modified its rotating tower to allow for the growing of cannabis.

The rotating towers are responsive to the cycle of natural changes of light, the only one of its kind to be designed and built with this capability. The Affinor vertical farming systems are designed to produce a consistent product that is significantly superior in quality, smell, texture, and appearance, and is delivered to the shelf untainted by any form of chemical, pollutant, hormones, gamma radiation or pesticides, whether it is a food product or cannabis.

The rotating towers have been specifically designed to increase plant density and overall production within a greenhouse, an indoor growing operation and outdoors. By utilizing vertical space not typically used, Affinor's technology can quadruple production, depending on vertical height.

3.1.1 The Rotating Tower

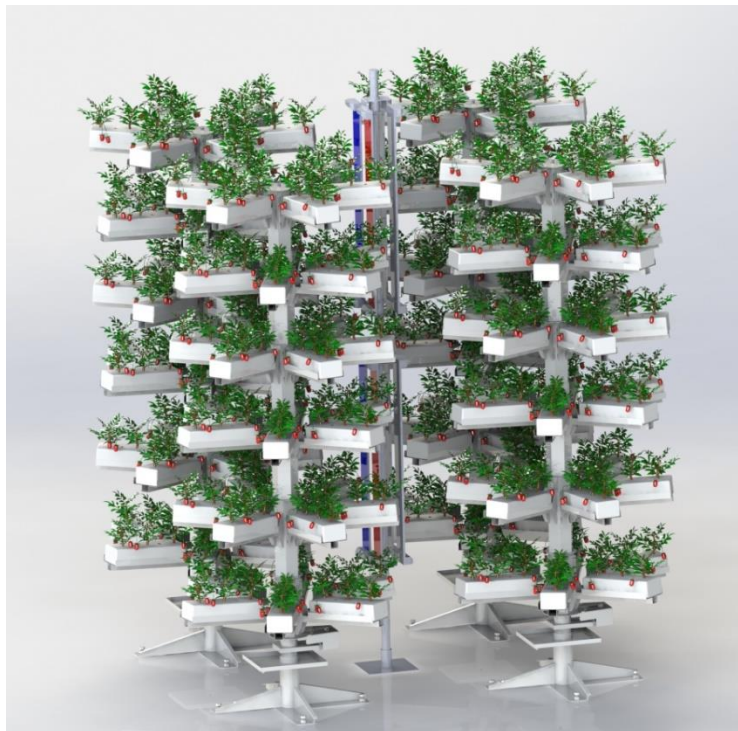
The design of the towers allows for crop versatility ranging from strawberries, whole head lettuce, leafy greens, micro-greens, and culinary herbs to cannabis.

The rotating towers have been specifically designed to increase plant density and overall production within a greenhouse, an indoor growing operation and outdoors. By utilizing vertical space not typically used, Affinor's technology can quadruple production, depending on vertical height. All plants can be grown in their natural medium, soil, or hydroponically, without the use of chemicals or pesticides.

3.1.2 Rotating Tower Design for Strawberry Production



The strawberry towers use specially designed trays.



Affinor patented vertical rotating tower designed primarily for strawberry use.

3.1.3 Rotating Tower Design for Cannabis and Lettuce Production

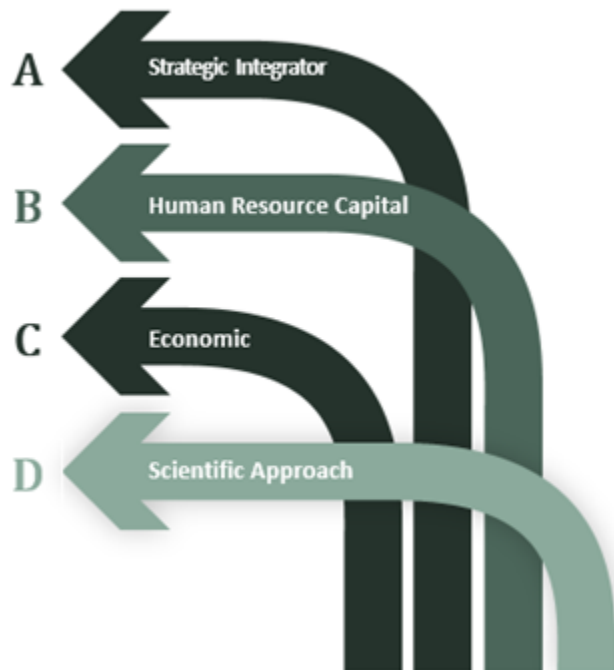
The rotating towers for cannabis and lettuce production use 10 gallon bags.



Affinor patented tower with fully tested modified design for cannabis production.

3.2 The Affinor Advantage

- A** In an industry that is at the beginning of mass production using vertical farming, Affinor's strategic relationship with Cobotix places the Company at the forefront of the vertical farming market sector.
- B** Affinor has a decided advantage with staff, production experience, and a strong Chartered Director and Operations Manager, coupled with solid business relationships.
- C** The community and the company will benefit from the economic advantages of the growth in vertical farming.
- D** The strategic relationship with Cobotix provides Affinor with a world class R & D Division with highly experienced staff.





4 MARKET ANALYSIS

4.1 The Future is in Smart Agriculture

4.1.1 Population Growth

By the year 2050, nearly 80% of the earth's population will reside in urban centers. Applying the most conservative estimates to current demographic trends, the human population will increase by about 3 billion people during the interim. If traditional farming practices continue as they are practiced today, then an estimated 109 hectares of new land (about 20% more land than is represented by the country of Brazil) will be needed to grow enough food to feed them. At present, throughout the world, over 80% of the land that is suitable for raising crops is in use³. Historically, some 15% of that has been laid waste by poor management practices.

The world's population has created challenges in food security and placed pressure on natural resources. These problems can be solved through technological advancement. Alternative agricultural practices can alleviate the innate limits of conventional farming methods. As a solution, Affinor Growers Inc. offers patented agricultural technology for vertical farming and controlled environment agriculture. Compared to conventional farms, Affinor technology is significantly more efficient than other types of farming in terms of usage of space and reliance on water.

³ Dickson Despommier. Feeding the World in the 21st Century. <http://www.verticalfarm.com>. (sources: United Nations Food and Agriculture Organization and NASA).

4.1.2 Climate Change Pressures

Due to climate change, conventional farming methods are not always a viable option. Farmable land is decreasing, and the changing weather is making growing with traditional low-tech methods, more difficult. Smart farms involve technology developed from information analysis of data acquired from the fields, and the application of inputs according to data analysis for optimal crop production.

4.1.3 Smart Agriculture as a Solution

Vertical farming provides a solution that can be centrally located to areas of higher population density, further reducing the carbon footprint through a reduction in transportation logistics and costs. Affinor technology is well positioned to be a leader in urban agriculture initiatives.

According to Markets and Markets, the smart agriculture market in Canada is expected to grow from CAD \$10.05 billion in 2018 to CAD 18 billion by 2023, at a CAGR⁴ of 12.39% between 2018 and 2023⁵.

Affinor's vertical farming systems enable products to be grown in soils, or hydroponically, without the use of pesticides, and free from chemical contaminants. The food and cannabis markets have seen an uptake by the consumer in the desire for healthier and sustainably grown products. The technology developed by Affinor gives the Company a decided edge over its craft competitors and industrial scale growers.

Markets and Markets projects the global indoor farming technology market will be \$ 40.25 billion by 2022⁶.

A Markets and Markets report indicates that the global smart farming market is dominated by Europe and is projected to grow at a significant rate from 2019 to 2025, followed by the North American and Asia Pacific regions⁷. Affinor is planning to expand food and cannabis production into Alberta and Ontario in 2022-2024.

4.1.4 Cannabis Market Breakdown

The global legal marijuana market size was valued at USD 24.6 billion in 2020 and is expected to expand at a compound annual growth rate (CAGR) of 14.3% from 2021 to 2028. One of the major factors fueling the market growth is the expanding demand for legal marijuana owing to the growing number of legal cannabis countries. Owing to the recent legalizations in different countries, the use of medical marijuana for various ailments is gaining momentum worldwide. Patients suffering from chronic illnesses, such as Parkinson's, cancer, Alzheimer's, and many neurological disorders, are administered medical marijuana.

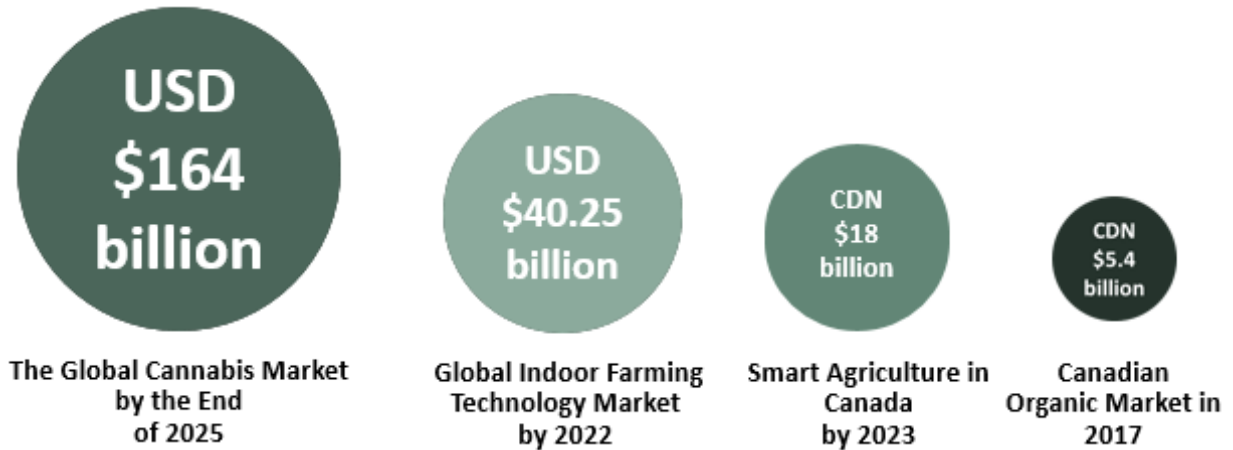
⁴ Compound Annual Growth Rate.

⁵ "Press Release: Smart Agriculture Market worth \$13.50 billion by 2023." Markets and Markets, 2018.

⁶ April 2018. https://marketsandmarkets.com/Market-Reports/indoor-farming-technology-market-40175861.html#utm_source=guestpost&utm_medium=FnB&utm_campaign=guestpost_FnB&utm_content=FnB_Group#utm_source=guestpost&utm_medium=FnB&utm_campaign=guest_FnB&utm_content=FnB_LGroup

⁷ September 2019. Markets and Markets.

Craft cannabis is poised to capture as much or more market share than craft beer's 13% of all beer sales, which in Canada was a CDN\$338 million sized market in 2020.



These market figures show a rising trend for cannabis and advanced farming technology in the future.

4.2 Market Drivers

The key market drivers fueling the growth of indoor farming are demand for fresh and nutritious food and the economic need for higher yield per square foot. Cannabis annual sales are increasing at 34.6% CAGR. There is demand for quality in cannabis as evidenced by premium brands selling for as much as \$20/gram. In the minds of consumers, higher quality is what “craft” means.



Vertical Designs BC LTD CEO Craig Farlinger beside Affinor towers.

4.3 Consumer Preferences

According to data provided by the government of Canada, price and taste have been the primary deciding factors for the majority of consumers when selecting and purchasing food. However, there are some notable factors that are driving consumer preference and new product development. They are shifting demographics, convenience, environmental stewardship, and desire for more information about food.

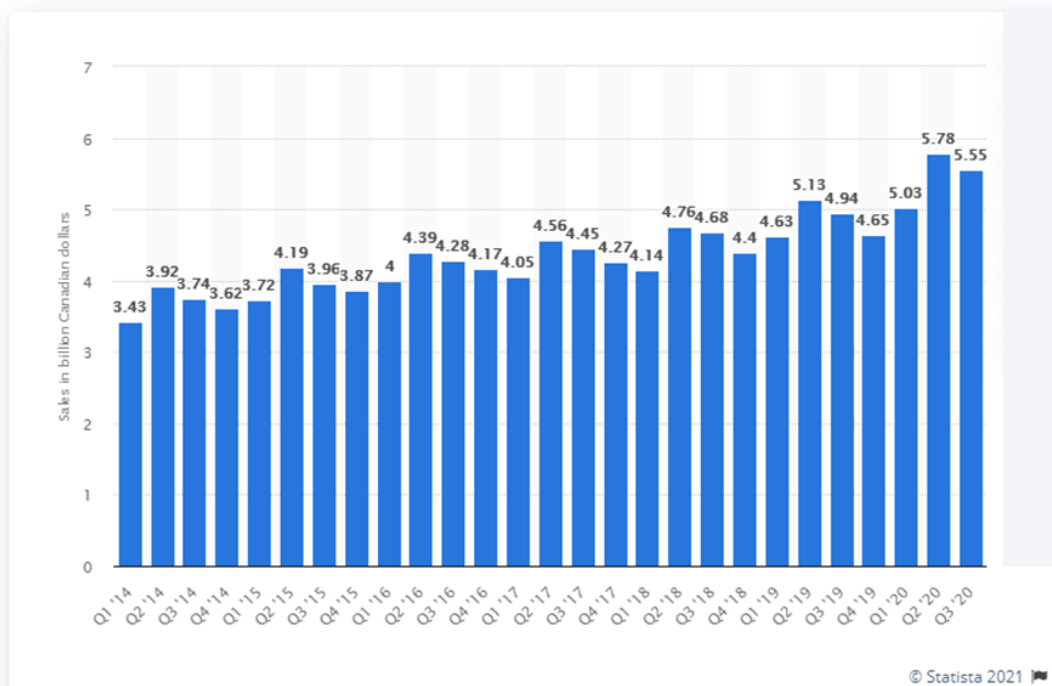
- ❖ Shifting demographics, Gen Z, the growing purchasing power of millennials, and increased ethnic diversity is contributing to changing food preferences. These factors are influencing trends toward food products with enhanced nutrition and ethical food choices.
- ❖ Consumers want foods that are quick or ready for immediate consumption, but also fresh and nutritious, such as bagged salads, and single portion clean and prepared fruits and vegetables, with a preference for sustainably grown produce.

There is an increased desire for information about food, including the production practices used as well as the contents. In addition to nutritional composition, consumers want to know how foods will enhance their performance or improve their health. Consumers are looking for recognizable nutrition information that will help them make better choices for their personal health at the point of purchase.

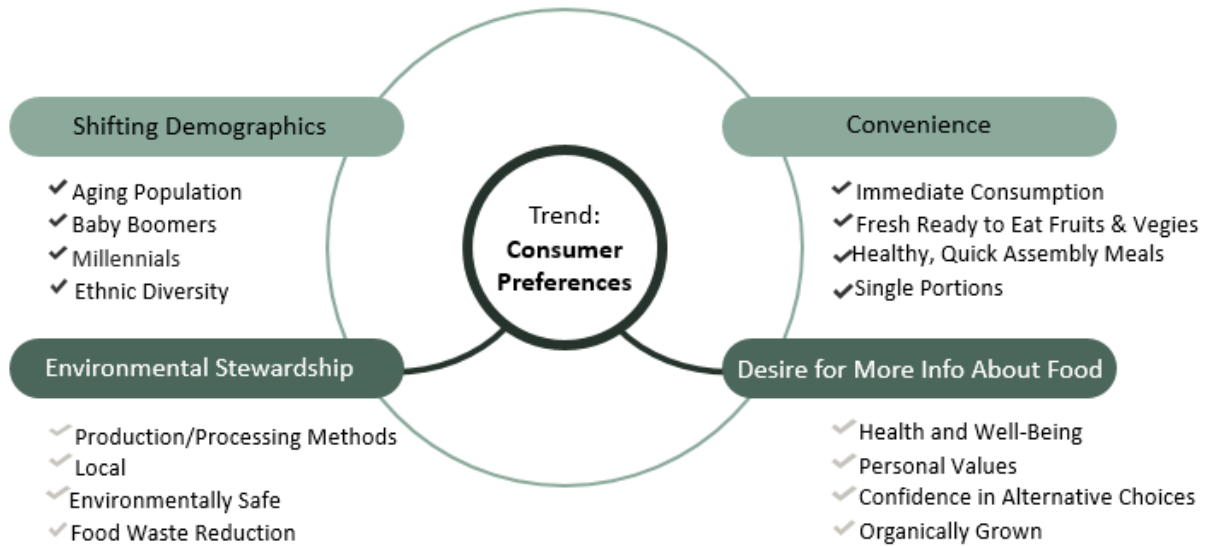
4.4 Fresh Produce Market Size

The Canadian fresh produce market has been growing steadily, and was worth over CDN\$21 billion in 2020 according to Statista. Consumers around the world are becoming increasingly health conscious, which has resulted in a change in their tastes and preferences. A growing number of consumers are moving towards more consumption of fresh produce in place of processed foods, to avoid adverse health effects caused by chemical preservatives or genetically modified ingredients. Moreover, the increasing popularity of fresh produce has significantly expanded the availability of healthier food across the globe. With locally grown food increasingly accessible, the global fresh produce market is expected to witness remarkable growth in the years to come. Additional factors driving locally grown fresh produce sales across the globe include increasing income levels, improving standard of living, nationalism and government initiatives aimed at encouraging widespread adoption of healthier products⁸.

Quarterly retail sales of fresh fruit and vegetables in Canada from 1st quarter of 2014 to 3rd quarter of 2020
(in billion Canadian dollars)



⁸ "Canadian Organic Market Report 2017." Organic Trade Association, 2017.



4.5 Organic Certification

Affinor will be growing its food according to organic standards but due to cost will not be applying for organic certification until a certain scale is reached. The company is well situated to fill the need for technologically advanced growing systems for both fresh produce and for cannabis.

4.6 Cannabis Market

Medical and recreational cannabis sales in Canada totalled CDN\$2.6 billion in 2020¹². Global cannabis sales reached \$19.7 billion in 2020, an increase of 38% over 2019 sales of \$14.8 billion. This is a rapidly growing industry. Using recent growth rates, Grand View Research has calculated that the worldwide legal cannabis market will reach US\$84 billion by 2028.

“Cannabis is the largest agricultural cash crop in BC.”

Quality cannabis commands a premium price point of \$10-20 per gram at retail. This reflects the consumer demand for high-quality craft product, similar to the strong trend towards craft beers that are now a mainstream part of the modern lifestyle. Quality produced cannabis may likely exceed the 13% market share of craft beer if priced competitively which Affinor’s technological cost advantage enables.

A Statistics Canada 2018 4Q research report indicates that customers prefer quality and safety to all other considerations when purchasing cannabis. Safety issues such as mould are a large concern to smokers⁹. Vertical farming technology with environmental controls can provide safely grown cannabis that will meet the need for a quality product with a higher yield than conventional methods of farming.



Purple Kush bud from Vertical Designs BC medical test grow in 2019

The global cannabis market is expected to reach USD \$84 billion by the end of 2027, with a CAGR of 34.6%¹⁰, according to a report by Grand View Research, Inc.

The market is confirmed by the Bank of Montreal (BMO) which states that the market will reach over CAD \$194 billion during this period¹¹. The demand for technology to maximize yield and control the environmental variables to grow quality cannabis will provide large market demand for Affinor’s cannabis.

⁹ January 25, 2018. <https://www150.statcan.gc.ca/n1/pub/13-610-x/13-610-x2018001-eng.htm?HPA=1>

¹⁰ <https://www.grandviewresearch.com/press-release/global-legal-marijuana-market>

¹¹ November 1, 2018. Financial Post. <https://business.financialpost.com/cannabis/cannabis-producers-could-be-chasing-global-market-worth-194-billion-in-seven-years-bmo-report>

5 MARKETING

5.1 Brand Development

No cannabis advertising or brand promotion is currently allowed under Health Canada regulations. Wholly owned local corporations are being used to separate the Affinor food production brand from craft cannabis. Affinor will be associated with cannabis production as the supplier of technology and owner of corporate entities involved in cannabis production. A new brand name for Vertical Designs BC Ltd is being developed in conjunction with new product development plans.

The critical product decision which has branding consequences is *genotype selection*. Craig Farlinger, CEO of Vertical Designs BC has extensive contacts in the cannabis industry for licensing and innovation. Genetics evaluation and cross-breeding with partners will begin immediately upon issuance of the first micro cultivation license. The goal is to produce unique, fast growing (3 months - vege to harvest) high THC indica hybrids that have demonstrated medical application and recreational appeal.

5.2 Product Value

Value is a function of quality, price, and quantity in cannabis and produce. Affinor gets free publicity and will advertise their superior growing systems. The company will mainly use social media to talk about sustainability and reducing the global carbon footprint with a process that is far superior in nutrient content compared to that of competitors.

Important questions that will be reviewed on a continuous basis are as follows:

- ❖ Has the Company maximized the best distribution channels?
- ❖ What is Affinor's strategy to grow market share?
- ❖ Does Affinor have brand awareness and brand preference within the industry?
- ❖ What has Affinor committed to long-term Brand building?

5.3 Web Strategy and Web Development Plan

Web marketing will also be key. A medical cannabis e-commerce website is already in development. A sales license will closely follow cultivation licensing enabling sales to medical cannabis users. This will be combined with CX research to inform product decisions based on user group preferences and use prevalence market segmentation.

The following are the channels that Affinor and Vertical Designs BC will use to reach their target markets: Instagram, Facebook, Twitter, LinkedIn, YouTube, Instagram TV, Medium, Quora, Reddit, SoundCloud, and Apple Podcast.



Affinor and subsidiaries will manage their market images through these and other channels, and will provide links to user channels to highlight key information, such as the information below, on their website.

- ❖ The Company’s historical background and dedication to high quality food, and cannabis products.
- ❖ Putting names and faces to their business.
- ❖ Product information.
- ❖ Offer industry specific information.
- ❖ Educational information on vertical farming.
- ❖ Health and wellness information about the benefits of local, sustainable farming and the fresh produce market trend.

5.4 Sales and Distribution

Food wholesale agreements are being coordinated with a Canadian national distributor. The first harvests of romaine lettuce and strawberries are expected in Q4 2021. An announcement of distribution agreements will be made before then.

The Company’s main focus is building 4 combined food and craft cannabis production operations across Canada; and 12 more full size micro cultivation cannabis facilities in Canada and the USA. A sales license will enable Vertical Designs BC to sell to the BC government online store, to other LPs and the provincial government wholesaler. Health Canada regulatory changes expected in 2022 include selling directly to retailers and an onsite store.

5.5 Cannabis Associations and Organizations

Affinor will join with leading associations to develop and foster relationships in the industry. Some of the groups the Company may join include the following associations.

5.5.1 Cannabis Growers of Canada



The Cannabis Growers of Canada is an association of cannabis businesses in Canada dedicated to building a free and fair craft cannabis economy. The belief that every Canadian has the right to access high quality, locally grown cannabis from a craft cannabis producer of their choosing, and that the best way to legalize cannabis is to

empower local entrepreneurs to create jobs and support their local economy, is core to their vision.

5.5.2 Cannabis Canada Association



Cannabis Canada Association, collectively, represents the majority of Licensed Producers (LP's) of cannabis for medical purposes as licensed and regulated by the Office of Medical Cannabis and the Controlled Substance and Tobacco Branch.

The organization's mission is to act as the national voice for our members in their promotion of industry standards, and support the development, growth, and integrity of the regulated cannabis industry. The Association serves as a trusted resource on issues related to the safe and responsible use of cannabis for medical and non-medical purposes.

5.5.3 Craft Cannabis Association of BC



Craft cannabis supports British Columbia's economic heritage and emerging legislative models that support small and medium scale production in British Columbia. With a long-standing tradition of quality and small batch production of specialized strains, BC is home to some of the most world-renowned cannabis.

5.5.4 Cannabis Trade Alliance of Canada (CTAC)



The CTAC represents a wide spectrum of stakeholders in the cannabis industry. Together with industry leaders, The Cannabis Trade Alliance of Canada (CTAC) is committed to working with legislators and regulators in government to develop a sustainable, safe, and ethical cannabis industry. CTAC actively participated in the extensive consultation process undertaken by the Canadian Task Force on Cannabis Legalization and Regulations.

5.6 Cannabis Trade shows

Affinor will continue to foster national and international business relationships by attending and participating in the following key trade events.

5.6.1 International Cannabis Business Conference



International Cannabis Business Conference is a premiere annual international conference. This year it is being held in Vancouver on September 15th and 16th. The conference brings together exhibitors, presenters, and businesspeople to inform and keep abreast of new ideas, changes, technologies, and opportunities in the cannabis sector.

5.6.2 Lift & Co Conference



Lift & Co. is a Canadian cannabis company with the aim of preserving the authentic cannabis culture in Canada. Their web site includes events, culture, education, cannabis news, health, and business. Lift & Co. holds an annual event in key locations across Canada.

5.6.3 Canadian Cannabis Summit



Canadian Cannabis Summit is the first conference in Western Canada to bring together medical and therapeutic professionals, policymakers and law enforcement, investment and business strategists, innovation, technology, and community leaders. Attendees will gain a competitive and comprehensive perspective of the emerging cannabis industry essential for budding or seasoned entrepreneurs, academics, and professionals.

5.6.4 Cannabis and Hemp Expo



Cannabis & Hemp Expo highlights the professionalism and maturity of the expanding cannabis industry in Canada. Leading businesses from around the globe highlight some of the best products and services the industry has to offer¹².

5.6.5 O’Cannabiz Conference and Expo



O’Cannabiz conference and expo is a Canadian cannabis industry conference, expo and awards event. O’Cannabiz is a gathering of the complete Canadian and International industry conducting high level networking under one roof. This conference is a full-spectrum cannabis B2B event connects thousands of expert companies and brands integrated in the full 360 degrees of the industry. These include lighting, nutrients, greenhouse construction and supplies, peer-reviewed agro-practices, lifestyle, medical and legal issues, marketing, the hiring of professionally trained growing staff, best financial and investment advice, quality control and market analyses.

5.7 Vertical Farming Associations

Affinor will join and participate in leading vertical farming associations to develop and foster relationships in the industry. Some of the groups the Company may join include the following associations.

¹² <https://10times.com/cannabis-hemp>

5.7.1 Association for Vertical Farming



The Association for Vertical Farming is the leading, global non-profit organisation for raising awareness and connecting all stakeholders to advance the implementation of vertical farming.



5.7.2 The Food and Agriculture Organization of the United Nations



The Food and Agriculture Organization of the United Nations (FAO) is a specialized agency within the United Nations, striving to alleviate poverty and hunger by ensuring better agricultural development, food security, and nutrition for all.

5.8 Trade Shows and Conferences

5.8.1 Canadian Greenhouse Conference



This year it is held in Niagara Falls, Ontario in October.

5.8.2 Vertical Farming Conference



An annual conference profiling technology related industries, government bodies, growers, and other industry related sectors. This year the conference was held in the Netherlands.

5.8.3 Agrifood Innovation Event

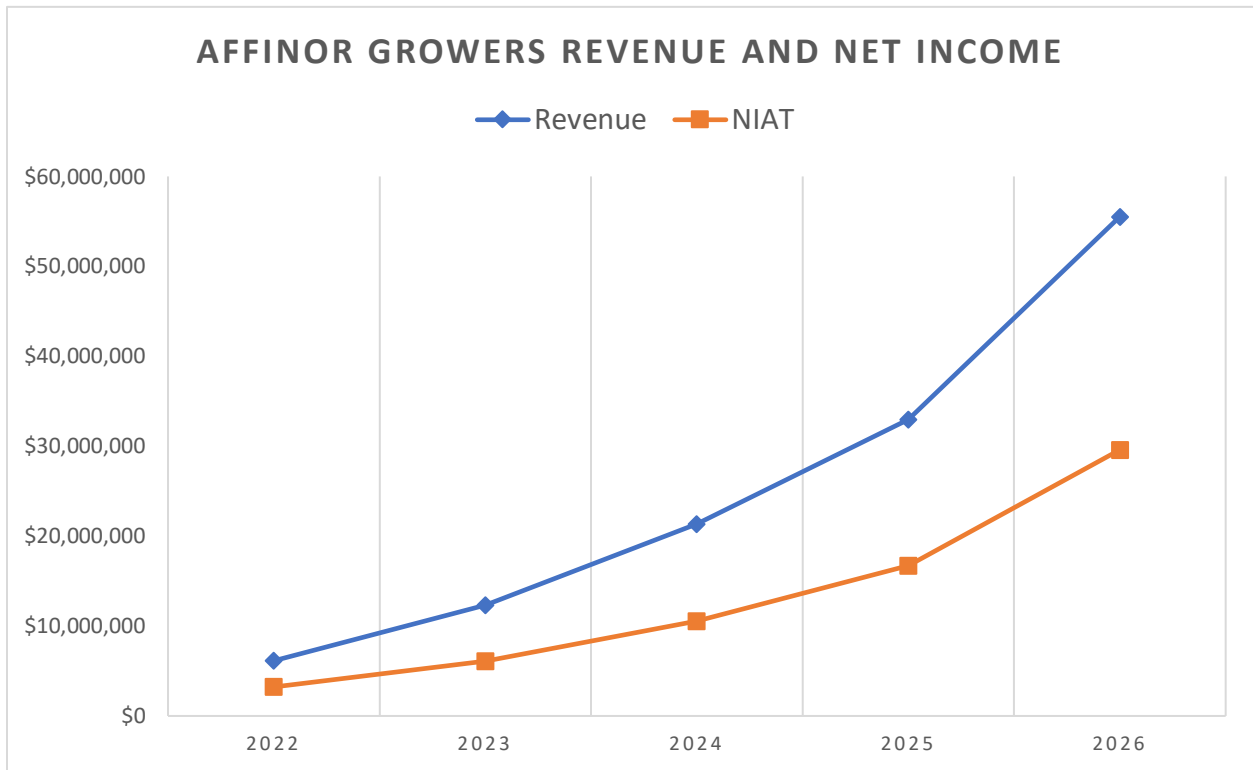


An annual event attended by food industry, food retail, farmers, growers, agricultural industry, technology suppliers, system integrators, governmental bodies (local, regional, national), project developers, finance / consulting, food logistics, research institutes, universities, NGO's, and others.

6 FINANCIAL ANALYSIS

6.1 Affinor Revenue Projections

Year	2022	2023	2024	2025	2026
Revenue:					
Fresh Produce Sales	\$1,230,000	\$2,460,000	\$3,690,000	\$4,920,000	\$6,150,000
Licensing	\$1,000,000	\$2,000,000	\$3,000,000	\$2,000,000	\$2,000,000
Tower Sales/Lease	\$390,000	\$1,170,000	\$1,950,000	\$1,950,000	\$1,560,000
Cannabis	<u>\$3,516,000</u>	<u>\$6,680,400</u>	<u>\$12,692,760</u>	<u>\$24,116,244</u>	<u>\$45,820,864</u>
Total Revenue	<u>\$6,136,000</u>	<u>\$12,310,400</u>	<u>\$21,332,760</u>	<u>\$32,986,244</u>	<u>\$55,530,864</u>
Operational Expenses:					
Tower Manufacturing	\$234,000	\$702,000	\$1,170,000	\$1,170,000	\$936,000
Greenhouse Operations	\$888,000	\$1,908,000	\$3,048,000	\$3,936,000	\$4,944,000
Lease/Mortgage Payments	\$120,000	\$180,000	\$360,000	\$480,000	\$600,000
Excise Taxes	\$237,900	\$467,010	\$917,319	\$1,802,906	\$3,545,522
Seedlings	\$38,016	\$76,032	\$152,064	\$304,128	\$337,920
Licensing and Research	\$80,000	\$160,000	\$320,000	\$640,000	\$1,280,000
Processing and Packaging	\$90,000	\$180,000	\$360,000	\$720,000	\$1,440,000
Marketing and Distribution	\$32,400	\$64,800	\$129,600	\$259,200	\$518,400
Total Operational Expenses	\$1,720,316	\$3,737,842	\$6,456,983	\$9,312,234	\$13,601,842
EBITDA	\$4,415,684	\$8,572,558	\$14,875,777	\$23,674,010	\$41,929,022
Depreciation	\$0	\$257,400	\$470,200	\$810,400	\$1,380,800
Income Taxes	\$1,192,235	\$2,245,093	\$3,889,506	\$6,173,175	\$10,948,020
NIAT	\$3,223,449	\$6,070,065	\$10,516,071	\$16,690,435	\$29,600,202

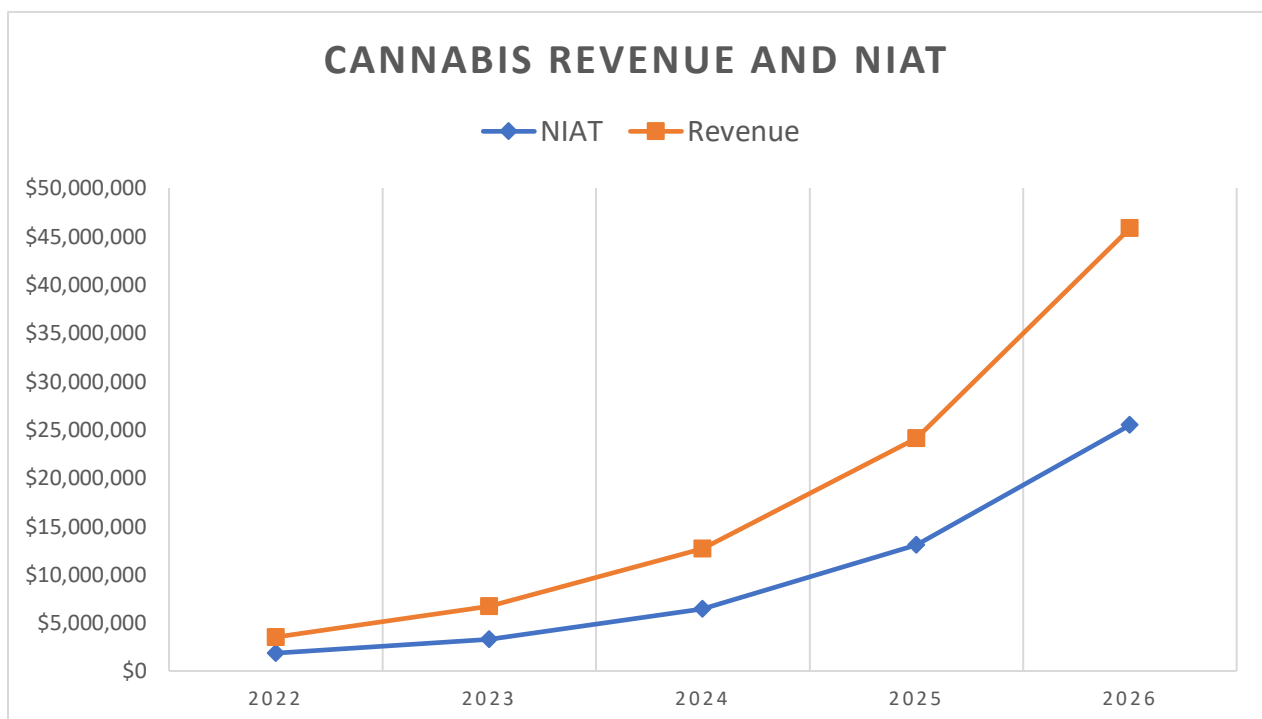


6.2 Vertical Designs BC Financials

Over 80% of revenue and 90% of profitability are expected from Affinor’s cannabis division in the wholly owned subsidiary – Vertical Designs BC LTD. The capital cost to build each micro cultivation facility is estimated at \$687k based on recent quotations received from suppliers. The Canada Cannabis Spot Index (CCSI) average wholesale price for March 29, 2021 of CDN\$5.86 was used to estimate 2022 (year 1) cannabis sales with a price decline of 5% per year in every year thereafter.

Vertical Designs BC LTD Pro Forma Financials

Year	2022	2023	2024	2025	2026
Revenue:					
Cannabis Production (Kg)	600	1,200	2,400	4,800	9,600
Price per Kg	<u>\$5,860</u>	<u>\$5,567</u>	<u>\$5,289</u>	<u>\$5,024</u>	<u>\$4,773</u>
Total Revenue	<u>\$3,516,000</u>	<u>\$6,680,400</u>	<u>\$12,692,760</u>	<u>\$24,116,244</u>	<u>\$45,820,864</u>
Variable Expenses:					
Greenhouse Operations	\$504,000	\$1,140,000	\$1,896,000	\$2,400,000	\$3,408,000
Lease/Mortgage Payments	\$60,000	\$120,000	\$120,000	\$180,000	\$240,000
Excise Taxes	\$237,900	\$467,010	\$917,319	\$1,802,906	\$3,545,522
Seedlings	\$21,120	\$42,240	\$84,480	\$168,960	\$337,920
Licensing and Research	\$80,000	\$160,000	\$320,000	\$640,000	\$1,280,000
Processing and Packaging	\$60,000	\$120,000	\$240,000	\$480,000	\$960,000
Marketing and Distribution	\$18,000	\$36,000	\$72,000	\$144,000	\$288,000
Total Variable Expenses	<u>\$981,020</u>	<u>\$2,085,250</u>	<u>\$3,649,799</u>	<u>\$5,815,866</u>	<u>\$10,059,442</u>
EBITDA	\$2,534,980	\$4,595,150	\$9,042,961	\$18,300,378	\$35,761,422
Depreciation	\$0	\$137,400	\$225,200	\$450,400	\$900,800
Income Taxes	<u>\$684,445</u>	<u>\$1,203,593</u>	<u>\$2,380,795</u>	<u>\$4,819,494</u>	<u>\$9,412,368</u>
NIAT	<u>\$1,850,535</u>	<u>\$3,254,158</u>	<u>\$6,436,966</u>	<u>\$13,030,484</u>	<u>\$25,448,254</u>



7 BIBLIOGRAPHY

<https://www.country-guide.ca/guide-business/canadian-farmers-increasing-organic-output-with-plenty-of-room-to-grow/>

https://www.zionmarketresearch.com/requestbrochure/organic-food-beverages-market#utm_source=kavita%2F16AUG&utm_medium=ref

https://www.zionmarketresearch.com/requestbrochure/organic-food-beverages-market#utm_source=kavita%2F16AUG%20&utm_medium=ref

<https://www.zionmarketresearch.com/report/organic-food-beverages-market>

https://www.marketsandmarkets.com/Market-Reports/smart-farming-market-189476618.html?gclid=Cj0KQCjwy97qBRDoARIsAITONTLgGPh1lcN9mNdadPu2lcolGnDaaDVCWrv3F3NgLXbsxbloUBJA0mYaAjkiEALw_wcB

<https://www.futurefarming.com/Smart-farmers/Articles/2018/12/Indoor-farming-technology-market-to-grow-to-4025-billion-373529E/>

https://www.marketsandmarkets.com/Market-Reports/indoor-farming-technology-market-40175861.html#utm_source=guestpost&utm_medium=FnB&utm_campaign=guestpost_FnB&utm_content=FnB_Group#utm_source=guestpost&utm_medium=FnB&utm_campaign=guest_FnB&utm_content=FnB_LGroup

<http://www.agr.gc.ca/eng/industry-markets-and-trade/canadian-agri-food-sector-intelligence/horticulture/horticulture-sector-reports/statistical-overview-of-the-canadian-greenhouse-vegetable-industry-2015/?id=1468861362193>

<https://www.affinorgrowers.com/en/about/our-technology-and-equipment>

<http://www.agr.gc.ca/eng/about-us/publications/we-grow-a-lot-more-than-you-may-think/?id=1251899760841>

<https://dailyhive.com/vancouver/canada-first-ever-net-zero-vertical-farm-2019>

<https://fundamentallighting.blogspot.com/>

<http://www.verticalfarm.com/>

<https://business.financialpost.com/cannabis/cannabis-producers-could-be-chasing-global-market-worth-194-billion-in-seven-years-bmo-report>

<https://vertical-farming.net/>

<https://www.igrow.news/>

<http://et.one.un.org/content/unct/ethiopia/en/home/resources/un-agencies-profiles/food-and-agriculture-organization--fao--profile.html>

<https://gpnmag.com/article/what-to-know-about-lighting-cannabis-from-a-former-greenhouse-cultivator/>

<https://gpnmag.com/>

<https://www.canadiangreenhouseconference.com/>

<https://agrifoodinnovationevent.com/program/#day1>

<https://agrifoodinnovationevent.com/exhibition/>

<https://www.agritecture.com/events-listing>

<https://www.agritecture.com/events-listing/2019/8/19/3rd-international-conference-on-agriculture-and-horticulture>

<https://bcf-events.com/?iwevent=annual-indoor-farming-conference-2019>

<https://www.affinorgrowers.com/en/about/our-story>

AFFINOR
GROWERS