

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)



ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2021.

or



TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from Date to Date

Commission File Number: 001-40578

AGRIFORCE GROWING SYSTEMS LTD.

(Exact name of registrant as specified in its charter)

British Columbia

(State or other jurisdiction of
incorporation or organization)

300 – 2233 Columbia Street
Vancouver, BC, Canada

(Address of principal executive offices)

Not Applicable

(I.R.S. Employer
Identification No.)

V5Y 0M6

(Zip Code)

(604) 757-0952

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares	AGRI	NASDAQ Capital Market
Series A Warrants	AGRIW	NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Non-accelerated filer ☒

Emerging growth company ☒

Accelerated filer ☐

Smaller reporting company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The registrant was not a public company as of June 30, 2021, the last business day of its most recently completed second fiscal quarter and therefore, cannot calculate the aggregate market value of its common stock held by non-affiliates.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

As of March 29, 2022, the registrant has 15,176,698 shares of common stock, no par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980).

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Cautionary Note Regarding Forward-Looking Information

This report on Form 10-K contains certain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements represent our expectations, beliefs, intentions or strategies concerning future events, including, but not limited to, any statements regarding our assumptions about financial performance; the continuation of historical trends; the sufficiency of our cash balances for future liquidity and capital resource needs; the expected impact of changes in accounting policies on our results of operations, financial condition or cash flows; anticipated problems and our plans for future operations; and the economy in general or the future of the defense industry, all of which were subject to various risks and uncertainties.

When used in this Report on Form 10-K and other reports, statements, and information we have filed with the Securities and Exchange Commission (“Commission” or “SEC”), in our press releases, presentations to securities analysts or investors, in oral statements made by or with the approval of an executive officer, the words or phrases “believes,” “may,” “will,” “expects,” “should,” “continue,” “anticipates,” “intends,” “will likely result,” “estimates,” “projects” or similar expressions and variations thereof are intended to identify such forward-looking statements. However, any statements contained in this Report on Form 10-K that are not statements of historical fact may be deemed to be forward-looking statements. We caution that these statements by their nature involve risks and uncertainties, certain of which are beyond our control, and actual results may differ materially depending on a variety of important factors.

We do not assume the obligation to update any forward-looking statement. You should carefully evaluate such statements in light of factors described in this annual report. In this Form 10-K, AgriFORCE Growing Systems Ltd. (“AgriFORCE”) has identified important factors that could cause actual results to differ from expected or historic results. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete list of all potential risks or uncertainties.

PART I

Item 1. Business

Overview

AgriFORCE Growing Systems Ltd. was incorporated as a private company by Articles of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia) on December 22, 2017. The Company’s registered and records office address is at 300 – 2233 Columbia Street, Vancouver, BC, Canada, V5Y 0M6. On February 13, 2018, the Company changed its name from 1146470 B.C. Ltd to Canivate Growing Systems Ltd. On November 22, 2019 the Company changed its name from

Our Business

AgriFORCE is dedicated to transforming modern agricultural development through our proprietary patent pending facility design and automated growing system through our AgriFORCE Solutions division. Our methods are designed to produce high-quality, pesticide-free, locally cultivated crops – cost-effectively and with the ability to quickly scale, in virtually any climate. Designed to European Union Good Manufacturing Practices and meet the United States Department of Agriculture organic equivalent standards, we intend for our platform to be utilized by our customers as an industry accepted standard for, among other things, controlled environment plant-based vaccine and crops including plant-based vaccines, pharmaceuticals, nutraceuticals, and food production.

Our AgriFORCE Brands division is focused on the development and commercialization of plant-based ingredients and products that deliver healthier and more nutritious solutions. We will market and commercialize both branded consumer product offerings and ingredient supply.

AgriFORCE Solutions

Understanding Our Approach – The AgriFORCE Precision Growth Method

Traditional farming includes three fundamental approaches: outdoor, greenhouse and indoor. AgriFORCE introduces a unique fourth method, the AgriFORCE precision growth method, which is informed by cutting-edge science and leveraging the latest advances in artificial intelligence (AI) and Internet of Things (IoT).

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With a carefully optimized approach to facility design, IoT, AI utilization, nutrient delivery, and micro-propagation, we have devised an intricate, scientific and high success-oriented approach designed to produce much greater efficacy yields using fewer resources. This method is intended to outperform traditional growing methods using a specific combination of new and traditional techniques required to attain this efficiency. We call it precision growth. The AgriFORCE precision growth method focuses on addressing some of the most important legacy challenges in agriculture: environmental impact, operational efficiency and yield volumes.

The AgriFORCE precision growth method presents a tremendous opportunity to positively disrupt all corners of the industry. The market size of just the nutraceutical and plant-based pharmaceutical and vaccine/therapeutics market is over \$500 billion. Including the traditional hydroponics high value crops and controlled-environment food markets, the addressable market approaches nearly \$1 trillion. ⁽¹⁾⁽²⁾⁽³⁾.

While our patent pending intellectual property initially targeted the hydroponics sector of our customers high value crops to showcase its efficacy in a growing market, we are currently expanding operations to refine our technology and methodology for our customers' vegetables and fruit food crops. Hydroponics was identified as an ideal sector to demonstrate proof of concept. However, management has decided that the Company focus on evolving our intellectual property and applying our precision growth method to other agricultural areas so that we can be a part of the solution in fixing the severe issues with the global food supply chain.

The AgriFORCE Model – Managing the Difficulties of Agricultural Verticals with Modern Technology and Innovation

Our intellectual property combines a uniquely engineered facility design and automated growing system to provide a clear solution to the biggest problems plaguing most agricultural verticals. It delivers a clean, self-contained environment that maximizes natural sunlight and offers near ideal supplemental lighting. It also limits human intervention and – crucially – it was designed to provide superior quality control. It was also created to drastically reduce environmental impact, substantially decrease utility demands, as well as lower production costs, while delivering customers daily harvests and higher crop yields.

Plants grow most robustly and flavorfully in full natural sunlight. While it may seem counterintuitive to some, even the clearest of glass greenhouses inhibit the full light spectrum of the sun. However, new translucent and transparent membrane materials have emerged recently that enable the near-full-transmission of the sun's light spectrum.

(1) <https://home.kpmg/pl/en/home/insights/2015/04/nutraceuticals-the-future-of-intelligent-food.html>

(2) <https://link.springer.com/article/10.1057/jcb.2010.37>

(3) <https://medium.com/artemis/lets-talk-about-market-size-316842f1ab27>

Unlike plastic or glass, these new transparent membranes can help crops achieve their full genetic (and flavor) potential. Natural light also warms the microclimate when necessary, dramatically reducing heating energy requirements. And at times when the sun is not cooperating, advances in supplemental grow lighting can extend the plants' photoperiod – even beyond natural daylight hours – to maximize crop growth, quality, and time to harvest by up to 50% or better.

Greenhouses and vertical farms are also compromised by outdoor and human-introduced contamination. The new model relies on creating a sealed, cleanroom-like microclimate that keeps pests, pesticides and other pollutants outside.

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Thanks to artificial intelligence, the Internet of Things, and similar advances, farmers can now benefit from highly automated growing systems that reduce human intervention and its associated costs. Finely tuned convective air circulation systems enable the microclimate to remain sealed and protected. Natural temperature regulation using sunlight and organic foam-based clouds can significantly reduce air-conditioning electricity requirements. Highly automated hydration, fertilization and lighting are all continuously optimized by machine learning.

This new AgriFORCE model, which has been designed with more than four years of ongoing research and development, is set to be put into large scale practice when the first of three new grow facilities completes construction on a 41-acre site in Coachella, California we expect to purchase in the coming year. This unique approach, which included contributions from lighting experts who had previously worked at NASA sending plants into space, was developed to significantly improve local food security in an environmentally friendly way. It uses the best aspects of current our customers' current growing methods – outdoor, greenhouse and indoor – and replaces their shortcomings with better technology and processes.

Any solution whether in agriculture, industry, or consumer goods is typically the integration of various disparate parts which, in and of themselves, require independent skill sets and levels of expertise to bring together the desired outcome. Controlled environment agriculture solutions such as our patent pending proprietary facility and automated grow system are no different. Centered around four pillars: facility and lighting; automation and AI; nutrients and fertigation and micropropagation and genetics, our business not only has a tremendous opportunity to grow organically by virtue of its existing contracts and a future pipeline of similar contracts, but also through accretive acquisitions.

Our Position in the Ag-Tech Sector

The Ag-Tech sector is severely underserved by the capital markets, and we see an opportunity to acquire global companies who have provided solutions to the industry and are leading innovation moving forward. We are creating a separate corporate office to aggressively pursue such acquisitions. The robustness of our engagement with potential targets has confirmed our belief and desire to be part of a larger integrated Ag-Tech solutions provider, where each separate element of the business has its existing legacy business *and* can leverage across areas of expertise to expand their business footprint. We believe that there is currently no one that we are aware of who is pursuing this model

The AgriFORCE Grow House

The Company is an agriculture-focused technology company that delivers innovative and reliable, financially robust solutions for high value crops through our proprietary facility design and automation IP to businesses and enterprises globally. The Company intends to operate in the plant based pharmaceutical, nutraceutical, and high value crop markets using its unique proprietary facility design and hydroponics based automated growing system that enable cultivators to effectively grow crops in a controlled environment. The Company calls its facility design and automated growing system the “AgriFORCE grow house”. The Company has designed its AgriFORCE grow house to produce in virtually any environmental condition and to optimize crop yields to as near their full genetic potential possible while substantially eliminating the need for the use of pesticides, fungicides and/or irradiation. The Company is positioning itself to deliver solutions to a growing industry where end users are demanding environmentally friendly and sustainable, controlled growing environments and processes. The initial market focus is the cultivation of food and other high value crops in California, and proof of concept will be to apply the IP to biomass production of plant based vaccine materials. The Company believes that its IP will provide a lower cost cultivation solution for the indoor production of crops due to a combination of higher crop quality and yields, and reduced operating costs. The Company has designed its AgriFORCE grow house as a modular growing facility that it plans to build and license to licensed operators for the cultivation of food and high value crops. The AgriFORCE grow house incorporates a design and technology that is the subject of a provisional patent that the Company has submitted to the United States Patent and Trademark Office on March 7, 2019. On March 6, 2020, a New International Patent Application No. PCT/CA2020/050302 Priority Claim United States 62/815, 131 was filed. The Company’s IP can be adapted to a multitude of crops and required growing conditions where exacting environmental control and pharma grade equivalent cleanliness and processes are required to meet the highest cultivation standards. By delivering the first facility, the Company will be in a position to demonstrate the performance and to target Good Manufacturing Practices standards compliance necessary to engage the pharma industry as it moves into modifying its IP to meet the particular plant biomass requirements for vaccines and other pharma biomass.

As the Company commences construction of its micropropagation facility and grow house, it will start to develop its solution for fruits and vegetables focusing on the integration of its current structure with a new form of vertical grow technology. Although many of the components and elements will be the same or similar in nature, the automation and integration for going vertical and accommodating lighting, circulation, climate control and humidity control will be somewhat different. Therefore, the Company intends to develop a small working commercial facility as it moves to finalize design and engineering. The Company believes it can deliver new IP for vertical farming with a view to constructing its first commercial facility to serve the Southern California market for fresh local leafy greens (first crop) before rolling out its solution to address other crops and other local markets in the United States and internationally.

Our Intellectual Property Strategy

The Company’s IP and business is focused on four (4) key elements:

1) FACILITY AND LIGHTING DESIGN

-the facility utilizes a proprietary building envelope system that allows virtually the full light spectrum and substantial portions of the UV light spectrum through it. It is fully sealed and utilizes positive air pressure exchange to create a microclimate that optimizes temperature, humidity, CO₂, air velocity, filtration, and sanitation through the process of biomimicry.

-Advanced proprietary supplemental grow lighting technologies achieving optimal luminous efficacy, spectrum, distribution characteristics, automated DLI management and fixture architecture.

2) AUTOMATION AND ARTIFICIAL INTELLIGENCE

-Proprietary automated grow system(s) and technology integrated through IOT and artificial intelligence.

-Self learning input factors to create the highest yield, lowest impact cultivation.

3) FERTIGATION AND NUTRIENTS

-white label and proprietary organic based blends/products tailored and focused on improved yields and reduced impact cultivation.

4) MICROPROPAGATION AND GENETICS

Optimized cellular cloning and tissue culture process tailored to facility environment optimization to ensure enhanced solution specific genetic outcomes.

To maximize the AgriFORCE grow house’s production capacity, each AgriFORCE grow house will incorporate its own tissue culture laboratory for micropropagation into the Company’s proprietary mechanized and automated growing system. AgriFORCE micropropagation laboratories will enable the micropropagation of healthy plantlets that will then be transplanted and grown to maturity in its facilities.

Our Business Plan

The Company plans to develop its business by focusing on both an organic growth plan and through M&A. The Company’s organic growth plan is focused on four distinct phases:

PHASE 1: COMPLETED: 2017-2021

- Conceptualization, engineering, and design of facility and systems.
- Completed selection process of key environmental systems with preferred vendors.
- The signing of revenue contracts with the Exclusive Independent Operator (EIO) for the first three facilities completed.
- The arrangement of three offtake agreements signed with Exclusive Independent Operator (EIO) for those three facilities when complete. (Subsequently these agreements were terminated in Q2 2021)
- Selection and Land Purchase agreement in Coachella, CA for 41.37-acre parcel subject to financing.
- ForceFilm material ordered.

PHASE 2: 2022-2023:

- Complete the financing for, and purchase of, the 41.37-acre parcel in Coachella, CA
- Complete new contracts’ structures for those first three facilities with new independent operators.

- Site preparation and utilities infrastructure build out for the campus (up to eight facilities).
- Fit out and complete genetics lab for micropropagation, breeding, and R&D to achieve near term revenue (8 months) of the sale of tissue culture clones for variant crops.
- Additional raw materials procurement of AgriFORCE IP specific automated grow system, supplemental grow lighting and controls systems, and manufacture of the building envelope materials.
- Conceptualization and design of vertical grow solutions in order to develop a small-scale vertical grow house.
- Focus on the delivery and installation of the first facility.
- Initiate the design of a R&D facility for food solutions and plant-based pharma.

PHASE 3: 2023-2025:

- Focus on the delivery and installation of the second and third facilities. Proof of quantitative and qualitative benefits will drive both sales pipeline acceleration for subsequent years.
- Complete the design and construction of a R&D facility for food solutions and plant-based pharma. Commence engagement with universities and pharmaceutical companies.
- Construct small scale vertical grow house and operate successfully.
- Finalize the design and engineering of vertical grow solution with construction commencement late in the third year. Commence engagement with local restaurants and grocery stores and develop a vertical grow house branding strategy.

PHASE 4: 2026:

- Focus on delivery and installation of additional facilities.
- Expand geographic presence into other states whilst also introducing the grow house to other international markets with a view to securing additional locations and markets by year four.
- Targeted additional contracts of three facilities.
- Commence and complete first vertical grow commercial facility to serve Southern California market by end of year 4.

The Company's initial AgriFORCE grow houses are planned to be constructed in California.

AgriFORCE Brands

The Company purchased Intellectual Property ("IP") from Manna Nutritional Group, LLC ("MNG"), a privately held firm based in Boise, Idaho on September 10, 2021. The IP encompasses patent-pending technologies to naturally process and convert grain, pulses and root vegetables, resulting in low-starch, low-sugar, high-protein, fiber-rich baking flour produces as well as wide range of breakfast cereals, juices, natural sweeteners and baking enhancers. The core process is covered under a pending patent application in the U.S. and key international markets. The all-natural process is designed to unlock nutritional properties, flavor and other qualities in a range of modern, ancient and heritage grains, pulses and root vegetables to create specialized All-Natural baking and all-purpose flours, sweeteners, juices, naturally sweet cereals and other valuation products, providing numerous opportunities for dietary nutritional, performance and culinary applications.

The Company will rebrand the consumer products and innovative ingredient offering for food manufacturers under the brand (un)Think foods.

Wheat and Flour Market

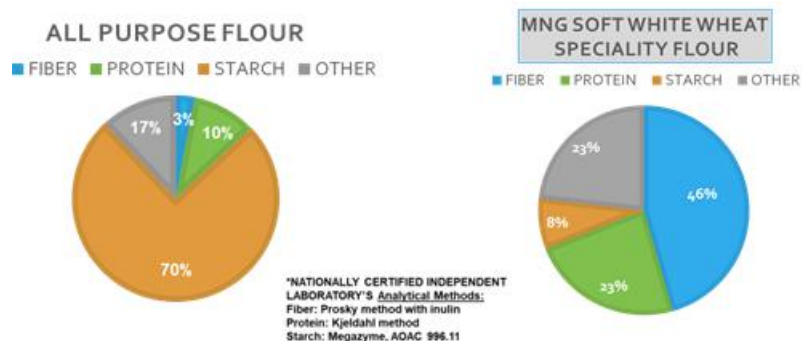
Modern diet is believed to be a contributor to health risks such as heart disease, cancer, diabetes and obesity, due in part to the consumption of highly processed foods that are low in natural fiber, protein and nutrition; and extremely high in simple starch, sugar and calories. These "empty carbs" produce glycemic swings that may cause overeating by triggering cravings for food high in sugar, salt and starch. As an example, conventional baking flour is low in natural fiber (about 2-3%), low-to-average in protein (about 9%), and very high in starch (about 75%). Whole wheat flour is only marginally better. Similarly, gluten-free products are often produced with sugar and starches such as potato flour, rice flour, tapioca, etc. Gluten-free products are typically low-fiber, low-nutrition, high-starch and high-calorie.

In contrast, foods high in fiber help to satiate hunger, suppress cravings, raise metabolism and require more calories to digest. They also assist in weight loss, lower cholesterol, and may reduce the risk of cancer, heart disease and diabetes.

Advantages of the MNG IP

The CERES-MNG process allows for the development and manufacturing of All-natural Fours that are significantly higher in Fibers, Nutrients and Proteins and significantly lower in Carbohydrates and Calories than Standard Baking Flour.

As shown in the graph below, MNG Baking Flour produced from Soft White Wheat has 30 time more fiber, 3 times more protein, 80% less starch and 50-60% less calories as compared to standard all- purpose baking flour.



The CERES-MNG patent pending process will help develop new flours and products from modern, ancient and heritage grains, seeds, legumes and tubers/root vegetables.

Why Manna NG versus Keto or Low Carb Flours and Sprouted Grains Flours?

NOTE: The following is a general category list of each item. In ALL cases these include all varieties and versions of these types of grains, legumes and root vegetables. For example "rice" includes all varieties including non-glutinous and glutinous varieties.

GRAINS/SEEDS	GRAINS/SEEDS	LEGUMES	TUBERS & ROOT VEGETABLES
<ul style="list-style-type: none"> • Wheat * • Barley • Rye • Oats • Buckwheat • Rice • Wild Rice • Couscous • Corn 	<ul style="list-style-type: none"> • Sorghum • Amaranth • Triticale • Flax • Teff • Millet (Farrio) • Kasha • Quinoa • Kernza 	<ul style="list-style-type: none"> • Beans *** • Lentils • Peas • Peanuts • Lupins 	<ul style="list-style-type: none"> • Beets • Carrots • Taro • Yams • Potatoes • Sweet Potatoes • Turnips • Rutabagas

* Wheat includes: Soft White Winter Wheat, Hard Winter Red Wheat, Hard Spring Red Wheat, Soft Winter Red Wheat, Soft Spring White Wheat, Duram Wheat, Khorsan (Kamut), Einkorn, Spelt (Dinkel Wheat), Farro, Bulgar

*** Beans include all varieties

MNG Flour has been made from substrates in Black type at time of Patent

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- Versus Keto/Low Carb Flours, Manna NG has some clear positive distinctions:
 - o Simple and clean ingredient list
 - o Significantly higher protein values
 - o Materially Higher Fiber content
 - o Significantly lower carb content
 - o More palatable and natural flavor without any additives
 - o Works and tastes like All Purpose Wheat Baking Flour
- Versus Sprouted Grains Flours
 - o Like Sprouted Grains Flours, Manna NG Nutrients are metabolized better;
 - o Significantly Higher Protein content
 - o Materially Higher Fiber content
 - o Significantly Lower Carb content

Finally, the CERES-MNG Process creates a Liquid by-product which is a High Fiber, High Protein, Maltose Sweet Juice (Power Juice) from which we intend to develop Liquid and Crystallized Sweeteners, Juices etc.

Products that AgriFORCE intends to develop for commercialization from the CERES/MNG Process:

- High protein, High Fiber, Low Carb Modern, Heritage and Ancient grain flours (for use in breads, baked goods, doughs, pastry, snacks, and pasta)
- Protein Flours and Protein Additives
- High Protein, High Fiber, Low Carb cereals and snacks
- High Protein, High Fiber, Low Carb oat based dairy alternatives
- Better Tasting, Cleaner Label High Protein, High Fiber, Low Carb nutrition bars
- High Protein, High Fiber Low Carb nutrition juices
- Sweeteners – Liquid, Granulated
- High Protein, High Fiber, Low Carb pet foods and snacks

We intend to commercialize these products behind 3 main Go-to-Market strategies:

- Ingredients
- Branded Ingredients
- Consumer Brand

The Business Opportunity for AgriFORCE to successfully commercialize Premium Specialized Products from the Manna IP - by capturing a conservatively very small percentage share of the category it is targeting to enter in the premium segments. We estimate these revenues to be between \$500 million and \$1 Billion by 2025 (excluding any potential revenues from the Maltose-Power Juice applications).

	Breads & Bakery	Functional Flours	Pulse Flours	Dairy Alternatives	Nutrition Bars	TOTAL
Global Market Size of Target Categories	\$ 222B	\$ 48B	\$ 17B	\$ 6B	\$ 45B	
Potential Market Share	0.1%	1%	1%	1%	0.1%	
AgriFORCE Potential Net Revenues	\$ 100-200M	\$ 200-480M	\$ 100- 170M	\$ 30-60M	\$ 20-40M	\$ 450-950M

Sources: Grand View Research Reports, San Francisco CA, 2018 Estimates.

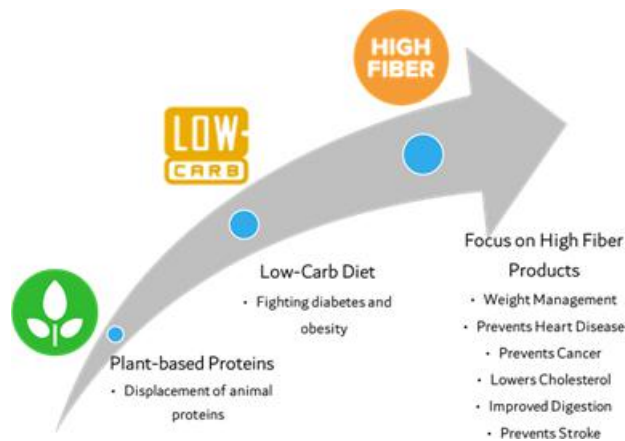
Products from the MANNA IP address Consumer Trends in Health, Nutrition and Diet

The benefits of plant-based proteins, low-carbohydrates (particularly “empty” carbs) and natural high- fiber diets are key to good health and nutrition and are critically important in combating cancer, diabetes, digestive disorders, high-cholesterol, obesity and heart disease.

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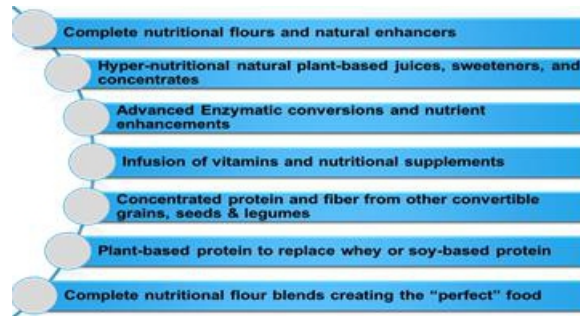
The High-Protein, High Fiber, Low Carb products from the CERES-MNG Process, allows to address these growing consumer needs.

Importantly, the Manna IP products would target primarily Millennials and Boomers, that increasingly look for healthier food alternatives.



Long-Term Future Applications – Product Development; Medical Research & Development

The following outlines future applications, research and development. This will include controlled studies on Type II Diabetes, in addition to a dedicated and completely independent Medical Research Organization (MRO) and research laboratory, supported by private and public research grants.



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BUSINESS PLAN

AgriFORCE's organic growth plan to actively establish and deploy the commercialization of products, following the acquisition of the MNG IP, is focused on four distinct phases:

PHASE 1: COMPLETED: 2017-2020

- Product and Process Testing and Validation (Completed)
- Filing of US and International Patent (Completed)
- Conceptual Engineering and Preliminary Budgeting on Commercial Pilot Plant (Completed)

PHASE 2: 2021-2022

- Design, Build, Start-up and Operation of the Pilot Plant
- Develop Range of Finished Products in Grain Flours, Protein Flours, Cereals and Juices
- Collaborate with Nutritional Flour Medical Research Institute (an IRS section 501(c)(3) Medical Research Organization) funded by private & public research grants

PHASE 3: 2022-2023

- Launch First Range of Products in US/Canada
- Drive Business with Finished Products in direct to consumer ("D2C"), Retail, Food Service
- Drive Business as Ingredients for Bakery, Snack and Plant Based Protein Products Manufacturers
- Develop Manufacturing Base through Partnerships and Licensing
- Conceptual Engineering and Preliminary Budgeting on Large-Scale Processing Plant

PHASE 4: 2024-2025

- Expand Product Range in US/Canada
- Expand Business to other Geographies (select Markets in Europe, Asia, Latin America)
- Design, Build Start-up and Operation of Large-Scale Processing Plant

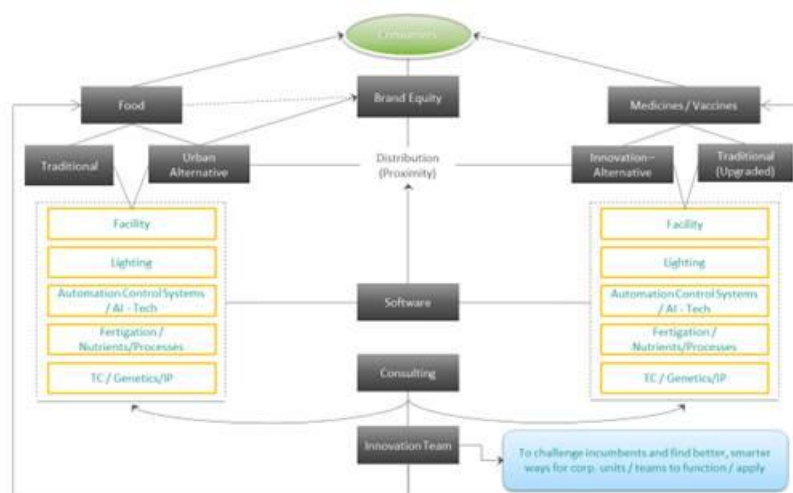
Merger and Acquisition ("M&A")

With respect to M&A growth, the Company is creating a separate corporate office to aggressively pursue acquisitions. The Company will focus on identifying target companies in the key four pillars of its platform where each separate element of the business has its existing legacy business *and* can leverage across areas of expertise to expand their business footprint. The Company believes that a buy and build strategy will provide unique opportunities for innovation across each segment of the Ag-Tech market we serve. Our unique IP combined with the know-how and IP of acquired companies will create additional value if the way we grow or produce crops. The Company believes there is currently no other public traded publicly in the United States pursuing this model.

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Below is a diagram of the intended strategy with respect to the Company's M&A strategy:

Strategy



Delphy Groep BV Acquisition

On February 10, 2022, the Company signed a definitive agreement to acquire Delphy Groep BV (“Delphy”), a Netherlands-based AgTech consultancy firm, for \$26 million through a combination of cash and stock. The closing of the transaction is expected to occur within 60 days of the signing date. The definitive agreement follows the binding letter of intent (“LOI”) as previously announced in the Company’s press release in October 2021. Delphy, which optimizes production of plant-based foods and flowers, has multinational operations in Europe, Asia, Russia, Kazakhstan, and Africa, with approximately 200 employees and consultants. Delphy’s client list includes agriculture companies, governments, universities, and leading AgTech suppliers, who turn to the company to drive agricultural innovation, solutions, and operational expertise.

Deroose Plants NV Binding Letter of Intent

On February 23, 2022, the Company signed a binding letter of intent (the “LOI”) with Deroose Plants NV (“Deroose”), one of the largest tissue culture propagation companies in the world with a leadership position in horticulture, plantation crops, and fruit and vegetables. Founded in 1980, Deroose has multi-national operations in Europe, North America, and Asia, and over 800 employees.

The LOI is subject to completion of standard due diligence and entry into a definitive purchase agreement, which shall include commercially standard terms and conditions, including, but not limited to, representations and warranties, covenants, events of default and conditions to closing.

The net purchase price by the Company is expected to be approximately US\$69 million. The purchase price represents approximately \$46.4 million for the Deroose business on a cash and debt free basis and \$22.6 million for the genetic IP portfolio.

Corporate Structure

The Company currently has the following wholly-owned subsidiaries, which perform the following functions – AgriFORCE Investments will handle any investments in the U.S., West Pender Holdings will hold real estate assets, West Pender Management will manage those assets and AGI IP will hold intellectual property in the U.S. and DayBreak is dormant:

Name of Subsidiary	Jurisdiction of Incorporation	Date of Incorporation
AgriFORCE Investments Inc. (US)	Delaware	April 9, 2019
West Pender Holdings, Inc.	Delaware	September 1, 2018
AGI IP Co.	Nevada	March 5, 2020
West Pender Management Co.	Nevada	July 9, 2019
DayBreak Ag Systems Ltd.	British Columbia	December 4, 2019

Summary Three Year History

From the date of Incorporation (December 22, 2017) to the date of this filing, the Company has largely been engaged in completion of its initial corporate organization, assembling its management team, completing the design and engineering of its IP and filing the appropriate intellectual property protection and taking the initial steps to implement its business plan through the commencement of initial operations in California. Significant milestones during this period are as follows:

- The Company completed its initial seed round financings in early 2018.
- From November 2018 to August 2019, the Company engaged architectural, lighting design, engineering and tensile structure engineering consultants to advance “Concept Solution” to an “Engineered Solution” for the AgriFORCE grow houses, and the Company’s consultants completed testing and verification of its proprietary solutions, as described below in detail under “*Advancement from Concept Solution to Engineered Solution*”.

- In December 2018, the Company selected FabriTec as its primary contractor for the growing portion of the AgriFORCE grow houses, which will be constructed of tensile steel and the high strength flexible covering material.
- In January 2019, the Company received from FabriTec the initial engineering drawings for the greenhouse enclosure for the AgriFORCE grow house.
- In February 2019, the Company arranged for PharmHaus, as its initial EIO, to enter into three offtake agreements with well-known California high value crop producers for the potential offtake purchase of an aggregate of 19,500 kilograms of production, which has since been increased to 21,878 kilograms of production per year under a replacement offtake agreement executed in September 2019 (terminated in April 2021 as per the below description).

- On March 7, 2019, the Company filed an initial provisional patent application for the original concept related to the AgriFORCE grow house.
- In July 2019, the Company entered into a master “Design/ Build” construction contract with FabriTec for the construction of the greenhouse enclosure (subject to final agreement on pricing).
- In August 2019, the Company submitted an amended provisional patent application for its Structure Technology that reflects the “engineered solution” and related technology and intellectual property developed by the Company through the testing and verification process with FabriTec and the Company’s other architectural, engineering and technical consultants.
- On March 6, 2020, a New International Patent Application No. PCT/CA2020/050302 Priority Claim United States 62/815, 131 was filed. The Company’s IP can be adapted to a multitude of crops and required growing conditions where exacting environmental control and pharma grade equivalent cleanliness and processes are required to meet the highest cultivation standards.
- On April 22, 2021, the Company terminated its agreement with PharmHaus, its initial exclusive Independent Operator, as PharmHaus failed to demonstrate the business wherewithal to serve in its capacity as an exclusive Independent Operator.
- The Company has substantially finalized the final design and engineering drawings for the AgriFORCE grow house.
- On November 30, 2021, the Company signed an offtake agreement with Humboldt Bliss, Ltd., a Barbadian limited company (“Humboldt”). Under the terms of the contract, AgriFORCE is responsible for constructing its proprietary facility and providing the full Standard Operating Procedures (SOPs) of the AgriFORCE Grow House and Humboldt is responsible for securing the project’s land as well as operating the facility. Upon production, Humboldt has committed to remit an IP licensing, management services and equipment leasing fee to AgriFORCE for up to 14,300 pounds (6,500 kgs) of high value medical and agricultural crops per year. David Welch, a director of the Company, owns a controlling interest in Humboldt and is a related party. Mr. Welch recused himself from the final deliberation and approval of the agreement by the board.
- On February 18, 2022, the Company signed a license agreement with Radical Clean Solutions Ltd (“Radical”), a New York corporation that has developed an advanced product line consisting of “smart hydroxyl generation systems” focused on numerous industry verticals that is proven to eliminate 99.99+% of all pathogens, virus, mold, volatile organic compounds (VOCs) and allergy triggers, to commercialize their new proprietary hydroxyl generating devices within the controller environment agriculture (“CEA”) and food manufacturing industries. The patent pending system seeks out and destroys both airborne and surface-based mold, bacteria, virus, odorous and volatile organic compounds and allergy triggers, as well as other pathogens and pollutants in real-time. The license grants the rights to AgriFORCE in perpetuity as well as joint patent ownership rights for CEA.

Debt Financing

The Company signed a Term Sheet with Capital Funding Group on April 8, 2020 for the provision of debt related to the potential purchase of a property in Coachella, CA and all site improvements and infrastructure. The Term Sheet was further renewed on February 5, 2021. The terms of the debt are to provide 50% of the value of the land purchase price and 80% of the value of the site improvements and infrastructure. The value of the debt is expected to be approximately \$12,000,000. The interest rate applicable to the land purchase is 10.5% per annum and for the site improvements and infrastructure it is 15.5% annum. In order to complete the debt facility agreement, the Company will need to raise approximately \$4,500,000 in equity by February 1, 2021. The term of the loan is eighteen months. The Company expects to re-finance at the completion of the improvements and infrastructure through traditional lending sources. The Company is also in discussions with respect to debt financing for the grow house structure as well as the associated equipment including but not limited to the HVAC system and the automated growing system through the same debt broker used to secure the Capital Funding Group loan facility term sheet. Capital Funding Group has agreed to provide such debt financing subject to the completion of a development appraisal and final approval by its board of directors. There can be no assurance as to whether the Company will be able to secure further debt or secure such debt on commercially reasonable terms.

On March 24, 2021, the Company entered into a securities purchase agreement with certain accredited investors for the purchase of \$750,000 in principal amount (\$600,000 subscription amount) of senior secured debentures originally due June 24, 2021 (the “Bridge Loan”). On June 24, 2021, the due date was extended to July 12, 2021. The imputed interest rate is encompassed within the original issue discount of the debentures and no additional cash interest shall be due. The debentures were issued pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, to certain purchasers who are accredited investors within the meaning of Rule 501 under the Securities Act of 1933, as amended. Each debenture holder will receive a warrant to purchase shares of common stock in an amount equal to 50% of the principal amount divided by 80% of the initial public offering price of the Company’s common stock. The warrants are exercisable at 80% of the initial public offering price. Transaction costs of \$69,000 have been recorded in connection with the Bridge Loan. The Bridge Loan was fully repaid on July 13, 2021.

The Company’s Initial California EIO (Exclusive Independent Operator)

The Company has terminated its EIO agreements (the “**PharmHaus Agreements**”) with PharmHaus, a private company that is arms-length to AgriFORCE. The Company had entered into each of the following agreements, on the terms outlined above, with PharmHaus as the EIO (the “**PharmHaus Agreements**”):

- Cultivation Facility Lease Agreement;
- IP License Agreement; and
- Management Services Agreement.

PharmHaus required additional financing in order to achieve its business plan and objectives and in order to perform its contractual obligations under the Company’s agreements with PharmHaus. There was no assurance that PharmHaus would be able to obtain such funding. As a result of PharmHaus’ inability to secure funding and the Company’s focus on food and pharma applications of its IP as well as acquisition opportunities outside of the cannabis market, the Company chose to terminate its contract with PharmHaus on April 22, 2021.

Micropropagation Laboratories

The Company has undertaken the steps described below in connection with the design and deployment of the Company’s micropropagation laboratories. These laboratories will ultimately be deployed at the Company’s AgriFORCE grow houses. However, the Company has identified a business opportunity through a current micropropagation lab which requires additional capacity for deployment of the micropropagation laboratories for plantlet growth in advance of the completion of the initial AgriFORCE grow houses. The advantage of the Company for pursuing this opportunity is that it enables the Company to achieve initial revenues in advance of incurring the full construction expenditure required for the initial AgriFORCE grow houses, thereby providing internally generated funding for the Company’s expenditures and tests of the micropropagation process with the selected crops:

- the Company has completed the evaluation of options for construction of the micropropagation facility;
- the Company has completed the determination of the most suitable low capital expenditure option providing flexibility;

- Acquired in-house expertise through Dr. Laila Benkrima, the Company's Chief Scientific Officer, who has a PhD from the University of Paris in horticulture with a specialization in tissue culture and the hybridization and selection of plant varieties;
- completed the design of full facility and equipment scope and layout;
- identified potential vendors and received final quotations; and
- Research and preparation for permitting and licensing requirements.

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The Company is presently proceeding with selecting vendors from whom we obtained quotations for the fit out of the micropropagation laboratories in order that these laboratories can be constructed. Concurrently, the Company is engaging in discussions with respect to the commercial arrangement of providing micropropagation services for another micropropagation lab's excess volume requirements as well as exploring opportunities to provide such services to potential customers.

Intellectual Property

The Company's intellectual property rights are important to its business. In accordance with industry practice, the Company protects its proprietary products, technology and its competitive advantage through a combination of contractual provisions and trade secret, copyright and trademark laws in Canada, the United States and in other jurisdictions in which it conducts its business. The Company also has confidentiality agreements, assignment agreements and license agreements with employees and third parties, which limit access to and use of its intellectual property.

Patent Applications

Date filed or Information received	Registration Date	Title	Serial #	Registration#	Prov. Patent Application #	PCT Patent Application	Patent #	Comment	Expiry Date for Either Application or Registration	Applicant
7/Mar/2019		Structures For Growing Plants and Related Apparatus and Methods			62/815,131				Expired replaced with 56288979-7PCT	Canivate Growing Systems Ltd
26/Aug/2019		AUTOMATED GROWING SYSTEMS			62/891,562				Expired replaced with 56288979-10PCT	
6/Mar/2020		Structures For Growing Plants	56288979-7PCT			PCT/CA2020/050302		Published: 10/Feb/2022	5/Sep/2022	AgriFORCE Growing Systems Ltd.
26/Aug/2020		AUTOMATED GROWING SYSTEMS	56288979-10PCT			PCT/CA2020/051161		Prior Claim date: 08/26/2019 - Pending	25/Feb/2022	AgriFORCE Growing Systems Ltd.

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Trademarks

Date filed or Information received	Registration Date	Title	Serial #	US Trade Mark Application #	CDN Trade Mark Application #2	Trademark International Registration #	US Trade Mark #	Comment	Expiry Date	Owner
24/Jan/2019		PLANET LOVE			1942554			IS&EDC	25/Jul/2029	Canivate Growing Systems Ltd
19/Dec/2019		PLANET LOVE	79274347	1504091					Awaiting examination in US	Canivate Growing Systems Ltd
21/Jan/2020	25/Jul/2019	PLANET LOVE	806/1273879901			1504091			25/Jul/2029	AgriFORCE Growing Systems Ltd.
24/Jan/2019		HYDROFILM			1942547			IS&EDC	Formalized; awaiting examination	Canivate Growing Systems Ltd
21/Jan/2020	24/Jul/2019	HYDROFILM				1506916				AgriFORCE Growing Systems Ltd.
7/Dec/2018		HYDROHAUS			1934896			IS&EDC	Formalized; awaiting examination	Canivate Growing Systems Ltd
7/Dec/2018		HYDROHOUSE			1934895			IS&EDC	Formalized; awaiting examination	Canivate Growing Systems Ltd
1/Mar/2019		CANIVATE			1949210	1494234		CLASS 6: Greenhouses of metal, CLASS 19: Greenhouses of plastic, CLASS 44: Greenhouse services; horticultural services	Formalized; awaiting examination	Canivate Growing Systems Ltd
21/Jan/2020	30/Aug/2019	CANIVATE				1494234				AgriFORCE Growing Systems Ltd.

1/Mar/2019	THE CANIVATE WAY		1949209		IS&EDC	Formalized; awaiting examination	Canivate Growing Systems Ltd
1/Mar/2019	27/Oct/2020	THE CANIVATE WAY	79-270,261	1494231	6,182,017	26/Oct/2030	AgriFORCE Growing Systems Ltd.
26/Nov/2019		AgriFORCE Trademark application		1997835		Formalized; awaiting examination	AgriFORCE Growing Systems Ltd.
22/May/2020		AgriFORCE Trademark application	88930218	88930218		Awaiting examination in US	AgriFORCE Growing Systems Ltd.
18/Sep/2020		AgriFORCE Trademark application		18243244		22/May/2030	AgriFORCE Growing Systems Ltd.
19/Aug/2020		FORCEFILM Trademark application	90124842	90/124842		Awaiting examination in US	AgriFORCE Growing Systems Ltd.
7/Aug/2020		FORCEFILM Trademark application		2044675		Formalized; awaiting examination	AgriFORCE Growing Systems Ltd.
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Our Competitive Conditions

Both indoor and greenhouse growing facilities have come to the forefront in recent years. With the advent of new business opportunities and the necessity and demand for increasing efficiency and yields, the facility design for both indoor and greenhouse has been significantly improved through advancing technologies and operational procedures, even more importantly in hybrid facility environments.

In recent decades, the greenhouse industry has been transforming from small scale facilities used primarily for research and aesthetic purposes (i.e. botanic gardens) to significantly more large-scale facilities that compete directly with land-based conventional food and ornamental plant production. While indoor growing allows production throughout the year and in most geographical locations, the energy used for lighting and climate control is costly while those systems are critical to the success, efficiency and yield of the operation. In large part due to the recent improvements in growing technology, the industry is witnessing a blossoming like no time before. Greenhouses today are increasingly emerging that are large-scale, capital-infused, more resource conscientious and urban-centered.

A major part of this recent transformation in the greenhouse industry has been the rise of a technology-infused Smart Greenhouse Market. Smart Greenhouses feature new levels of technology and automated control systems that allow for further optimization of growing conditions. These technologies include LED grow-lights that provide energy efficient supplemental lighting during cloudy conditions and at night, as well as an array of smart sensors that can detect issues with plants or the growing environment as they arise and trigger responses from different control systems.

No matter the country or region, one universal trend is that modern greenhouses are being built closer to metropolitan areas and large transportation hubs. One reason for this shift is to locate greenhouses closer to universities where research opportunities and skilled labor abound. As greenhouses become more tech-heavy, having this close proximity to research institutions will continue to be an important factor in location.

As the market has grown dramatically, it has also experienced clear trends in recent years. Modern greenhouses are becoming increasingly tech-intensive, using LED lights and automated control systems to tailor optimal growing environments. Successful greenhouse companies are scaling significantly and locating their growing facilities near urban hubs to capitalize on the ever-increasing demand for local (sustainable, conscientious, nutritious) food, no matter the season. To accomplish these feats, the greenhouse industry is also becoming increasingly capital-infused, using venture funding and other sources to build out the infrastructure necessary to compete in the current market.

As the smart greenhouse market continues to expand, new technologies are also coming online that will shape the future of production. Like before, many of these technologies are being developed for the greenhouse industry in particular. However, perhaps recently more than ever, innovation is also coming from other sectors. From artificial intelligence to Solar PV, new technologies from a wide range of industries are now finding their way into the modern greenhouse.

Past and current deficiencies with indoor farming in general have already signaled two important messages. First, there is logical reasoning to support the argument that indoor agriculture will become the norm and play a vital role to our current food (water intensive, non-grain) landscape. It will not be an easy journey, but the industry is growing and evolving at a fascinating speed. Second, technology advancements play a key role in leading the industry to continue to mature and reach greater efficiencies, production, and profitability.

As the global population continues to grow, and resources like land and water become more restricted, greenhouse (and hybrid) farming will be a dominant contributor for feeding global population that is just as important as land-based farming.

As a whole, the solutions provided to the agriculture industry have been driven by the integration of disparate components predominately lead by the client / farmer, major greenhouse vendors such as Kubo, Van der Hoeven, Certhon and Havecon or by major automation vendors such as Codema Systems or Ridder Group. This has resulted in fragmentation and sub-optimal IP that has not been fully integrated in a form as the Company is endeavoring to provide. Additionally, many solutions often are an amalgamation of disparate parts and vendors that are not necessarily optimized for a particular crop. In the indoor growing space, this is even more pronounced as the facility is often a simple warehouse which is in and of itself suboptimal and the draw backs are more pronounced. Often the integration is led by the cultivators themselves, who often do not possess the necessary skills to effectively manage such a process or it is led by one of the main vendors.

Technology

The future: hardware, software, & plant physiology

Currently innovation is steered by three main drivers: in-house development within companies, technology providers, and “cross-industry pollination”. New and upcoming companies have great potential to create innovative products. When companies showcase how their innovative technology can be applied, other companies can either adapt or further develop these ideas. There are also technology providers who specialize in specific areas of Ag-Tech. Through cross-industry pollination, we can acquire existing technology from other industries for use in greenhouse application.

Lighting/materials

Energy costs—primarily associated with lighting—are of major significance in the operation of a greenhouse facility. Lighting is a critical component for growing plants in fully closed environments because it is the primary energy input used by plants for photosynthesis. Light-emitting diodes (LEDs) were first adopted for indoor growing in the 1970s to supplement natural sunlight more efficiently than previously used incandescent bulbs. With the advancement of LED technology, the cost has dropped significantly over the last 10 years—specifically, LED lighting costs have halved, while their efficacy, or light energy, has more than doubled. We can expect costs to continue to drop as technology develops and this trend continues. Additionally, precise control of lighting can enable the discovery and dissemination of reproducible “light recipes” that are tailored to crops specifically grown indoors. These light recipes are being developed and used by cultivators to manipulate how plants grow, what they taste like, and their nutrient composition.

In addition to lighting, improvements related to materials can also help further efficiency. Companies like Soliculture, are paving the way for a revolution of greenhouse materials. Their LUMO solar panel contains a low density of silicon photovoltaic (PV) strips arranged with space in between to allow light to transmit between the strips. A thin layer of luminescent material is adhered to the backside of the glass, enhancing light quality by converting green light to red light. Red light has the highest efficiency for photosynthesis in plants, and therefore this optimized light spectrum increases yield faster maturation rate, and has proven to contribute to more disease resistant plants.

Data/AI

Artificial intelligence (“AI”) is expected to grow significantly in the coming years, where humans are certainly not obsolete but essential in leading innovation to significantly enhance results. AI-powered tools are gaining popularity across several industries including agriculture. In the future, we expect AI to be used in operations by means of automation and for predictive analytics.

Robots are increasingly replacing humans as we see more fully automated operations. Robots excel at repetitive, precision mundane tasks such as seeding, weeding, and harvesting. Start-up Iron Ox uses robots every step of the way from seed to harvest.

This allows allocation of resources elsewhere to focus on their overall production. Robotics also reduce labor costs while increasing efficiency. Currently farming is facing a labor shortage for reasons ranging from immigration policy to a lack of desire to work in the industry. Robots can help fill in the gaps in missing labor.

AI and machine learning technologies are developed to integrate and deliver more precise control of comprehensive growing operations. Ag-Tech company, Autogrow, provides intelligent automation systems including pH sensors, irrigation, and climate control products. Both hardware and software are improving to become more analytical and help detect and solve problems such as pest management, nutrient solution maintenance, and disease prevention.

Automation will become more feasible and available as AI technology improves and becomes less expensive. Reduced labor costs will allow product prices to decrease, making local food more accessible.

Biological Development

While improved environmental control and cultivation practices will undoubtedly lead to greater crop yields, biological alterations can more specifically tailor plants to growing environments and consumer needs. Indoor growing environments and processing facilities reduce the need for plant traits which provide stability in the face of environmental fluctuations, pests, pathogens, and post-harvest injury. New plant breeding techniques and genome-editing technologies such as CRISPR/Cas9 can be used to promote new plant traits focused on rapid plant growth, performance in low-light environments, plant stature, nutrition, and flavor. Coupling heightened environmental control with biological control also opens the door for variable gene expression under different growing conditions. This could lead to crop varieties that are distinct from their outdoor counterparts for new culinary applications and create unique markets for produce grown indoors.

Industrial synergies

With the rise of abundant tech providers and cross-disciplinary innovators, we can expect collaboration and knowledge sharing to become more common. In addition to delivering more effective indoor growing technologies, collaboration may also substantiate partnerships between companies which reduce their ecological footprints. For instance, co-locating greenhouses with industrial power plants can divert carbon dioxide and heat—by products of combustion—from the atmosphere to crops for photosynthesis enhancement and climate control. Furthermore, composted food waste may be diverted from landfills to fertilize crops in soil-based greenhouses. In the other direction, transparent solar panels may enable greenhouses to become net producers of energy to supply nearby buildings without sacrificing crop performance.

New technologies and ideas will better integrate agricultural businesses with the world around them, helping urban and industrial communities become more productive and sustainable.

Innovation in technology and practice will be the key drivers of new developments in indoor and greenhouse ag businesses. While these developments will be diverse and multidimensional, their effects will be focused on improvements to the potential scale and efficiency of, and quality of food from, indoor agriculture. Following the greenhouse’s historical trajectory, we believe it is safe to assume its relevance to global food systems will continue to expand as we progress into the future.

Competitor Comparison

The Company believes that it has no direct competitors who provide a proprietary facility design and automated grow system as well as a system of operational processes designed to optimize the performance of the Company's grow houses. On a broader basis, the competitive landscape includes greenhouse vendors, agriculture systems providers, automated grow system vendors, and system/solutions consultants.

Competitive Differentiation

The Company believes it has developed one of the world's most technologically advanced indoor agriculture systems by focusing on competitive differentiators to deliver vastly improved results beyond conventional indoor approaches. By conceiving new IP, as well as utilizing tried and tested existing Ag-Tech and Bio-Tech solutions, the Company delivers integrated unique architectural design, intelligent automation and advanced growing processes to create precisely controlled growing environments optimized for each nominated crop variety. These precision ecosystems should enable the Company to cost-effectively produce the cleanest, greenest and most flavorful produce, as well as consistent medical-grade plant-based nutraceuticals and pharmaceuticals, available. The key points of differentiation are as follows:

Crops	Ops
<ul style="list-style-type: none">Optimized genetics through advanced tissue culture and micropropagation.Higher yields.Improved nutrition/efficacy values.Lower production costs.Patents, future pending and provisional.	<ul style="list-style-type: none">Advanced propagation/cultivation/harvest SOP's.Minimal workforce.Enhanced automation.Substantive capital, resource, and operational savings.Reduced ecological impacts.Trade-marks, EU registered and Canada + US pending.Patents, pending and provisional.

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Facilities	Systems	Environment
<ul style="list-style-type: none">High-tech high efficiency building envelope.Proprietary building engineering and materials.Natural sunlight, indoors.Proprietary supplemental grow lighting. Dynamic foam solar gain control. Significantly reduced utility demands. Alternative clean energy sourcing. Green Building Initiative/Green Globe certification. Patents, pending and provisional.	<ul style="list-style-type: none">IoT to AI integrated facility/systems controls.Critical sensing and monitoring interface equipment.Advanced Ag-tech Automated Grow Systems.Proprietary high efficiency grow channels.Hybrid hydroponic-aeroponic nutrient systems.Patents, pending and provisional.	<ul style="list-style-type: none">High efficiency climate control equipment.Micro-climate delivery materials and systems.Automated chronological/meteorological/biological integrated controls.Sealed environment.Herbicide and pesticide free cultivation. Patents, pending and provisional.

Employees

As of March 29, 2022, the Company has 13 employees and five consultants. The Company also relies on consultants and contractors to conduct its operations. The Company anticipates that it will be hiring additional employees to support its planned activities.

Operations

The Company primary operating activities are in California. The Company's head office is located in Vancouver, British Columbia, Canada with a second office in the Rotterdam, Netherlands. The Company intends to open a project office near Coachella, CA and maintain an administrative office in Los Angeles. The Company also plans to construct its initial AgriFORCE micropropagation laboratories and its initial AgriFORCE grow houses in the State of California.

Description of Property

The Company currently leases office space at 2233 Colombia Street, Suite 300, Vancouver, B.C., V5Y 0M6 as its principal office. The Company believes the office is in good condition and satisfy its current operational requirements. The Company also leases an office space at Weena 505 Rotterdam, Netherlands

Litigation

We are subject to the legal proceeding and claims described in detail in "Note 16. Commitments and Contingencies" to the audited financial statements included in this filing. Although the results of litigation and claims cannot be predicted with certainty, as of the date of this filing, we do not believe the outcome of such legal proceeding and claims, if determined adversely to us, would be reasonably expected to have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors

Risks Relating to the Company's Business

The Company is an early stage company with little operating history, a history of losses and the Company cannot assure profitability.

The Company currently has no revenues and does not have any history of revenue generating operations. The Company has been involved to date in the design and development of its AgriFORCE grow house which incorporates the Company's AgriFORCE micropropagation laboratories. While the Company has invested considerably in this development and design process, no AgriFORCE grow house has been constructed to date and accordingly, the commercial or operating viability of the AgriFORCE grow house has not been proven, or when, if ever, the Company will generate revenue from its operations, and if those revenues, when and if generated, will be sufficient to sustain operations, nonetheless achieve profitability.

There is no assurance that the Company's AgriFORCE grow houses or micropropagation laboratories will operate as intended.

The Company's initial state of its business operations will be to construct and deploy its initial AgriFORCE grow house and micropropagation laboratories. However, the Company has yet to complete construction of any laboratories. Accordingly, this component of the Company's business plan is subject to considerable risks, including:

- there is no assurance that the laboratories will achieve the intended plantlet production rates;
- the costs of constructing and operating the laboratories may be greater than anticipated;
- the potential offtake partners who have indicated a willingness to deploy the laboratories at their existing cultivation operations may withdraw and determine not to deploy the laboratories;
- there is no assurance that the facilities will deliver the intended benefits of high production yields, lower crop losses and reduced operation costs;
- if the company is not able to fully develop the grow house or it does not operate as intended, it could prevent the company from realizing any of its business goals or achieving profitability;
- the costs of constructing the AgriFORCE grow houses may be greater than anticipated and the Company may not be able to recover these greater costs through increases in the lease rates, license fees and services fees that it charges to its customers; and
- the costs of operating the AgriFORCE grow house may be greater than anticipated.

COVID-19 or any pandemic, epidemic or outbreak of an infectious disease in the United States or elsewhere may adversely affect our business.

The COVID-19 virus has had unpredictable and unprecedented impacts in the United States and around the world. The World Health Organization has declared the outbreak of COVID-19 as a "pandemic," or a worldwide spread of a new disease. Many countries around the world have imposed quarantines and restrictions on travel and mass gatherings to slow the spread of the virus. In the United States, federal, state and local governments have enacted restrictions on travel, gatherings, and workplaces, with exceptions made for essential workers and businesses. As of the date of this filing, we have not been declared an essential business. As a result, we may be required to substantially reduce or cease operations in response to governmental action or decree as a result of COVID-19. We are still assessing the effect on our business from COVID-19 and any actions implemented by the federal, state and local governments. We have implemented safety protocols to protect our staff, but we cannot offer any assurance that COVID-19 or any other pandemic, epidemic or outbreak of an infectious disease in the United States or elsewhere, will not materially and adversely affect our business.

Fluctuations in the exchange rate of foreign currencies could result in losses.

We incur a portion of our operating expenses in Canadian dollars, and in the future, as we expand into other foreign countries, we expect to incur operating expenses in other foreign currencies. We are exposed to foreign exchange rate fluctuations as the financial results of our international operations are translated from the local functional currency into U.S. dollars upon consolidation. A decline in the U.S. dollar relative to foreign functional currencies would increase our non-U.S. revenue and improve our operating results. Conversely, if the U.S. dollar strengthens relative to foreign functional currencies, our revenue and operating results would be adversely affected. We have not previously engaged in foreign currency hedging. If we decide to hedge our foreign currency exchange rate exposure, we may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets.

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The Company will require additional financing and there is no assurance that additional financing will be available when required.

The Company will require substantial additional capital in order to acquire or lease the Coachella land, develop the Coachella lands for use, develop the micropropagation laboratories and operate them, and complete construction of its initial AgriFORCE grow house which is anticipated to be commenced in the second quarter of 2022. The funds raised in this offering will not be sufficient and additional financing will be needed for this purpose and for other purposes. The Company plans to achieve this additional financing through equity and/ or debt financing which will likely be dilutive to the position of then current shareholders. However, there is no assurance that this financing will be available when required. Specifically, there is no assurance that the Company will be able to raise any additional equity financing through its shares given that the viability of the Company's AgriFORCE grow houses will not be demonstrated until after construction is complete. In addition, there is no assurance that the Company will be able to secure debt financing given its low asset base and its current lack of revenues.

The Company had negative cash flow for the year ended December 31, 2021.

The Company had negative cash flows from operating activities for year ended December 31, 2021. To the extent that the Company has negative cash flows from operating activities in future periods, it may need to allocate a portion of its cash reserves to fund such negative cash flow. The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company will be able to generate a positive cash flow from operating activities, that additional capital or other types of financing will be available when needed or that these financings will be on terms favorable to the Company. The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

The Company's actual financial position and results of operations may differ materially from management's expectations. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations. As a result, the Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations.

The Company expects to incur significant ongoing costs and obligations related to its investment in its initial AgriFORCE grow houses. To the extent that these costs may be greater than anticipated or the Company may not be able to generate revenues or raise additional financing to cover these costs, these operating expenses could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the design and operation of the Company's AgriFORCE grow houses, which could increase construction costs and have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to construct its AgriFORCE grow houses and grow its business may be costlier than the Company expects, and the Company may not be able to recover sufficient revenues to offset its higher operating expenses. The Company may incur significant losses in the future for a number of reasons, including, unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of our securities may significantly decrease.

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There is no assurance the Company will be able to repatriate or distribute funds for investment from the United States to Canada or elsewhere.

In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions there from, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under applicable federal laws, rules and regulations or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada or elsewhere.

The Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business.

If the Company implements its business plan as intended, it may in the future experience rapid growth and development in a relatively short period of time. The management of this growth will require, among other things, continued development of the Company's financial and management controls and management information systems, stringent control of costs, the ability to attract and retain qualified management personnel and the training of new personnel. The Company intends to utilize outsourced resources, and hire additional personnel, to manage its expected growth and expansion. Failure to successfully manage its possible growth and development could have a material adverse effect on the Company's business and the value of the Shares.

The Company may face significant competition from other facilities.

Many other businesses in California engage in similar activities to the Company, leasing commercial space to agricultural producers generally, and providing additional products and services to similar customers. The Company cannot assure you that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition.

If we are unable to protect our intellectual property, our business may be adversely affected.

We must protect the proprietary nature of the intellectual property used in our business. There can be no assurance that trade secrets and other intellectual property will not be challenged, invalidated, misappropriated or circumvented by third parties. Currently, our intellectual property includes provisional patents, patent applications, trademarks, trademark applications and know-how related to business, product and technology development. We plan on taking the necessary steps, including but not limited to the filing of additional patents as appropriate. There is no assurance any additional patents will issue or that when they do issue they will include all of the claims currently included in the applications. Even if they do issue, those new patents and our existing patents must be protected against possible infringement. Nonetheless, we currently rely on contractual obligations of our employees and contractors to maintain the confidentiality of our products. To compete effectively, we need to develop and continue to maintain a proprietary position with respect to our technologies, and business. The risks and uncertainties that we face with respect to intellectual property rights principally include the following:

- Currently, we only have provisional protection, which may not result in full patents being granted, and any full patent applications that we file may not result in issued patents or may take longer than expected to result in issued patents;
- we may be subject to interference proceedings;
- other companies may claim that patents applied for by, assigned or licensed to, us infringe upon their own intellectual property rights;
- we may be subject to trademark opposition proceedings in the U.S. and in foreign countries;

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- any patents that are issued to us may not provide meaningful protection;
- we may not be able to develop additional proprietary technologies that are patentable;
- other companies may challenge patents licensed or issued to us as invalid, unenforceable or not infringed;
- other companies may independently develop similar or alternative technologies, or duplicate our technologies;
- other companies may design around technologies that we have licensed or developed;
- any patents issued to us may expire and competitors may utilize the technology found in such patents to commercialize their own products; and
- enforcement of patents is complex, uncertain and expensive.

It is also possible that others may obtain issued patents that could prevent us from commercializing certain aspects of our products or require us to obtain licenses requiring the payment of significant fees or royalties in order to enable us to conduct our business. If we license patents, our rights will depend on maintaining our obligations to the licensor under the applicable license agreement, and we may be unable to do so. Furthermore, there can be no assurance that the work-for-hire, intellectual property assignment and confidentiality agreements entered into by our employees and consultants, advisors and collaborators will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure of such trade secrets, know-how or other proprietary information. The scope and enforceability of patent claims are not systematically predictable with absolute accuracy. The strength of our own patent rights depends, in part, upon the breadth and scope of protection provided by the patent and the validity of our patents, if any.

We operate in an industry with the risk of intellectual property litigation. Claims of infringement against us may hurt our business.

Our success depends, in part, upon non-infringement of intellectual property rights owned by others and being able to resolve claims of intellectual property infringement without major financial expenditures or adverse consequences. Participants that own, or claim to own, intellectual property may aggressively assert their rights. From time to time, we may be subject to legal proceedings and claims relating to the intellectual property rights of others. Future litigation may be necessary to defend us or our clients by determining the scope, enforceability, and validity of third-party proprietary rights or to establish its proprietary rights. Some competitors have substantially greater resources and are able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time. In addition, patent holding companies that focus solely on extracting royalties and settlements by enforcing patent rights may target us. Regardless of whether claims that we are infringing patents or other intellectual property rights have any merit, these claims are time-consuming and costly to evaluate and defend and could:

- adversely affect relationships with future clients;
- cause delays or stoppages in providing products;
- divert management's attention and resources;
- require technology changes to our platform that would cause our Company to incur substantial cost;
- subject us to significant liabilities; and
- require us to cease some or all of its activities.

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In addition to liability for monetary damages, which may be tripled and may include attorneys' fees, or, in some circumstances, damages against clients, we may be prohibited from developing, commercializing, or continuing to provide some or all of our products unless we obtain licenses from, and pay royalties to, the holders of the patents or other intellectual property rights, which may not be available on commercially favorable terms, or at all.

We have limited foreign intellectual property rights and may not be able to protect our intellectual property rights throughout the world.

We have limited intellectual property rights outside the United States. Filing, prosecuting and defending patents on devices in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property to the same extent as laws in the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patents to develop their own products and further, may export otherwise infringing products to territories where we have patents, but enforcement is not as strong as that in the United States.

Many companies have encountered significant problems in protecting and defending intellectual property in foreign jurisdictions. The legal systems of certain countries, particularly China and certain other developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. To date, we have not sought to enforce any issued patents in these foreign jurisdictions. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. The requirements for patentability may differ in certain countries, particularly developing countries. Certain countries in Europe and developing countries, including China and India, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In those countries, we and our licensors may have limited remedies if patents are infringed or if we or our licensors are compelled to grant a license to a third party, which could materially diminish the value of those patents. This could limit our potential revenue opportunities. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

If we are unable to obtain or defend our patents, our business could be materially adversely affected.

Our patent position is highly uncertain and involves complex legal and factual questions. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced under our patents or in third-party patents. For example, we might not have been the first to make the inventions covered by each of our pending patent applications and provisional patents; we might not have been the first to file patent applications for these inventions; others may independently develop similar or alternative technologies or duplicate any of our technologies; it is possible that none of our pending patent applications will result in issued patents; our issued patents may not provide a basis for commercially viable technologies, or may not provide us with any competitive advantages, or may be challenged and invalidated by third parties; and, we may not develop additional proprietary technologies that are patentable.

As a result, our owned and licensed patents may not be valid and we may not be able to obtain and enforce patents and to maintain trade secret protection for the full commercial extent of our technology. The extent to which we are unable to do so could materially harm our business.

We have applied for and will continue to apply for patents for certain products. Such applications may not result in the issuance of any patents, and any patents now held or that may be issued may not provide us with adequate protection from competition. Furthermore, it is possible that patents issued or licensed to us may be challenged successfully. In that event, if we have a preferred competitive position because of such patents, such preferred position would be lost. If we are unable to secure or to continue to maintain a preferred position, we could become subject to competition from the sale of generic products. Failure to receive, inability to protect, or expiration of our patents would adversely affect our business and operations.

Patents issued or licensed to us may be infringed by the products or processes of others. The cost of enforcing our patent rights against infringers, if such enforcement is required, could be significant, and we do not currently have the financial resources to fund such litigation. Further, such litigation can go on for years and the time demands could interfere with our normal operations. We may become a party to patent litigation and other proceedings. The cost to us of any patent litigation, even if resolved in our favor, could be substantial. Many of our competitors may be able to sustain the costs of such litigation more effectively than we can because of their substantially greater financial resources. Litigation may also absorb significant management time.

Unpatented trade secrets, improvements, confidential know-how and continuing technological innovation are important to our scientific and commercial success. Although we attempt to and will continue to attempt to protect our proprietary information through reliance on trade secret laws and the use of confidentiality agreements with our partners, collaborators, employees and consultants, as well as through other appropriate means, these measures may not effectively prevent disclosure of our proprietary information, and, in any event, others may develop independently, or obtain access to, the same or similar information.

International intellectual property protection is particularly uncertain, and if we are involved in opposition proceedings in foreign countries, we may have to expend substantial sums and management resources.

Patent and other intellectual property law outside the United States is more uncertain and is continually undergoing review and revisions in many countries. Further, the laws of some foreign countries may not protect intellectual property rights to the same extent as the laws of the United States. For example, certain countries do not grant patent claims that are directed to business methods and processes. In addition, we may have to participate in opposition proceedings to determine the validity of its foreign patents or its competitors' foreign patents, which could result in substantial costs and diversion of its efforts and loss of credibility with customers.

If we are found to be infringing on patents or trade secrets owned by others, we may be forced to cease or alter our product development efforts, obtain a license to continue the development or sale of our products, and/or pay damages.

Our processes and potential products may violate proprietary rights of patents that have been or may be granted to competitors, universities or others, or the trade secrets of those persons and entities. As our industry expands and more patents are issued, the risk increases that our processes and potential products may give rise to claims that they infringe the patents or trade secrets of others. These other persons could bring legal actions against us claiming damages and seeking to enjoin manufacturing and marketing of the affected product or process. If any of these actions are successful, in addition to any potential liability for damages, we could be required to obtain a license in order to continue to manufacture or market the affected product or use the affected process. Required licenses may not be available on acceptable terms, if at all, and the results of litigation are uncertain. If we become involved in litigation or other proceedings, it could consume a substantial portion of our financial resources and the efforts of our personnel.

We rely on confidentiality agreements to protect our trade secrets. If these agreements are breached by our employees or other parties, our trade secrets may become known to our competitors.

We rely on trade secrets that we seek to protect through confidentiality agreements with our employees and other parties. If these agreements are breached, our competitors may obtain and use our trade secrets to gain a competitive advantage over us. We may not have any remedies against our competitors and any remedies that may be available to us may not be adequate to protect our business or compensate us for the damaging disclosure. In addition, we may have to expend resources to protect our interests from possible infringement by others.

We have a limited operating history on which to judge our business prospects and management.

Our company was incorporated and commenced operations in 2017. Accordingly, we have only a limited operating history upon which to base an evaluation of our business and prospects. Operating results for future periods are subject to numerous uncertainties and we cannot assure you that we will achieve or sustain profitability. Our prospects must be considered in light of the risks encountered by companies in the early stage of development, particularly companies in new and rapidly evolving markets. Future operating results will depend upon many factors, including increasing the number of affiliates, our success in attracting and retaining motivated and qualified personnel, our ability to establish short term credit lines, our ability to develop and market new products, control costs, and general economic conditions. We cannot assure you that we will successfully address any of these risks.

We may not be able to continue as a going concern.

The Company has incurred substantial operating losses since its inception, and expects to continue to incur significant operating losses for the foreseeable future and may never become profitable. As reflected in the financial statements, the Company had an accumulated deficit of approximately \$19.9 million at December 31, 2021, a net loss of approximately \$6.6 million, and approximately \$5.1 million of net cash used in operating activities for the year ended December 31, 2021. The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty. The Company anticipates incurring additional losses until such time, if ever, that it can obtain marketing approval to sell, and then generate significant sales, of its technology that is currently in development. As such it is likely that additional financing will be needed by the Company to fund its operations and to develop and commercialize its technology. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company is seeking additional financing to support its growth plans. The sale of additional equity may dilute existing shareholders and newly issued shares may contain senior rights and preferences compared to currently outstanding common shares.

Our management team has limited experience managing a public company, and regulatory compliance may divert our attention from the day-to-day management of our business.

Our management team has limited experience managing a publicly-traded company and limited experience complying with the increasingly complex laws pertaining to public companies. These obligations typically require substantial attention from our senior management and could divert our attention away from the day-to-day management of our business.

The Company may become subject to litigation, which may have a material adverse effect on the Company's reputation, business, results from operations, and financial condition.

The Company may be named as a defendant in a lawsuit or regulatory action. The Company may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims. Any such losses could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

If the Company is unable to attract and retain key personnel, it may not be able to compete effectively.

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's Chief Executive Officer and technical experts. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company's ability to develop and market its intellectual property. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute the Company's business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of the Company's employees.

The size of the Company's initial target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data.

Because high growth crop technology is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly follows market research.

The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition.

The agriculture industry and various verticals within it are undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways, including by losing strategic partners and or customers if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify which could negatively impact its profitability.

The Company will be reliant on information technology systems and may be subject to damaging cyberattacks.

The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, information technology systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to

The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest.

Although certain officers and board members of the Company are expected to be bound by anti-circumvention agreements limiting their ability to enter into competing and/or conflicting ventures or businesses, the Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

There is no guarantee that how the Company uses its available funds will yield the expected results or returns which could impact the business and financial condition of the Company.

The Company cannot specify with certainty the particular uses of available funds. Management has broad discretion in the application of its proceeds. Accordingly, a holder of Shares will have to rely upon the judgment of management with respect to the use of available funds, with only limited information concerning management's specific intentions. The Company's management may spend a portion or all of the available funds in ways that the Company's shareholders might not desire, that might not yield a favorable return and that might not increase the value of a purchaser's investment. The failure by management to apply these funds effectively could harm the Company's business. Pending use of such funds, the Company might invest the available funds in a manner that does not produce income or that loses value.

Our Articles of incorporation, by-laws and certain Canadian legislation, contain provisions that may have the effect of delaying or preventing a change in control.

Certain provisions of our by-laws, together or separately, could discourage potential acquisition proposals, delay or prevent a change in control and limit the price that certain investors may be willing to pay for our common shares. For instance, our by-laws, to be effective upon the completion of this offering, contain provisions that establish certain advance notice procedures for nomination of candidates for election as directors at shareholders' meetings.

The *Investment Canada Act* requires any person that is non-Canadian (as defined in the *Investment Canada Act*) who acquires "control" (as defined in the *Investment Canada Act*) of an existing Canadian business to file either a pre-closing application for review or notification with Innovation, Science and Economic Development Canada. An acquisition of control is a reviewable transaction where prescribed financial thresholds are exceeded. The *Investment Canada Act* generally prohibits the implementation of a reviewable transaction unless, after review, the relevant Minister is satisfied that the acquisition is likely to be of net benefit to Canada. Under the national security regime in the *Investment Canada Act*, the federal government may undertake a discretionary review of a broader range of investments by a non-Canadian to determine whether such an investment by a non-Canadian could be "injurious to national security." Review on national security grounds is at the discretion of the federal government and may occur on a pre- or post-closing basis.

Furthermore, limitations on the ability to acquire and hold our common shares may be imposed by the *Competition Act* (Canada). This legislation permits the Commissioner of Competition to review any acquisition or establishment, directly or indirectly, including through the acquisition of shares, of control over or of a significant interest in us. This legislation grants the Commissioner of Competition jurisdiction, for up to one year, to challenge this type of acquisition before the Canadian Competition Tribunal on the basis that it would, or would be likely to, substantially prevent or lessen competition. This legislation also requires any person who intends to acquire our common shares to file a notification with the Canadian Competition Bureau if (i) that person (and their affiliates) would hold, in the aggregate, more than 20% of all of our outstanding voting shares, (ii) certain financial thresholds are exceeded, and (iii) no exemption applies. Where a person (and their affiliates) already holds, in the aggregate, more than 20% of all of our outstanding voting shares, a notification must be filed if (i) the acquisition of additional shares would bring that person's (and their affiliates) holdings to over 50%, (ii) certain financial thresholds are exceeded and (iii) no exemption applies. Where a notification is required, the legislation prohibits completion of the acquisition until the expiration of the applicable statutory waiting period, unless compliance with the waiting period has been waived or the Commissioner of Competition provides written notice that he does not intend to challenge the acquisition. The Commissioner of Competition's review of a notifiable transaction for substantive competition law considerations may take longer than the statutory waiting period.

We are governed by the corporate laws of British Columbia, Canada which in some cases have a different effect on shareholders than the corporate laws of the United States.

We are incorporated under the Business Corporations Act (British Columbia) and other relevant laws, which may affect the rights of shareholders differently than those of a company governed by the laws of a U.S. jurisdiction, and may, together with our charter documents, have the effect of delaying, deferring or discouraging another party from acquiring control of our company by means of a tender offer, a proxy contest or otherwise, or may affect the price an acquiring party would be willing to offer in such an instance. The material differences between the Business Corporations Act (British Columbia) and Delaware General Corporation Law, or DGCL, that may have the greatest such effect include, but are not limited to, the following: (i) for certain corporate transactions (such as mergers and amalgamations or amendments to our articles) the Business Corporations Act (British Columbia) generally requires the voting threshold to be a special resolution approved by 66 2/3% of shareholders, or as set out in the articles, as applicable, whereas DGCL generally only requires a majority vote; and (ii) under the Business Corporations Act (British Columbia) a holder of 5% or more of our common shares can requisition a special meeting of shareholders, whereas such right does not exist under the DGCL. We cannot predict whether investors will find our company and our common shares less attractive because we are governed by foreign laws.

Risks Related to the Ownership of Our Common Shares

New laws, regulations, and standards relating to corporate governance and public disclosure may create uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming.

These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, may evolve over time as new guidance is provided by the courts and other bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

As a public company subject to these rules and regulations, we may find it more expensive for us to obtain director and officer liability insurance, and we may be required to

The market price of our common shares and Series A Warrants may be volatile, and you may not be able to resell your common shares and Series A Warrants at or above the initial public offering price.

The market price for our common shares and Series A Warrants may be volatile and subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our quarterly or annual operating results;
- changes in financial or operational estimates or projections;
- conditions in markets generally;
- changes in the economic performance or market valuations of companies similar to ours;
- general economic or political conditions in the United States or elsewhere;
- any delay in development of our products or services;
- our failure to comply with regulatory requirements;
- our inability to commercially launch products and services and market and generate sales of our products and services;
- developments or disputes concerning our intellectual property rights;
- our or our competitors' technological innovations;
- general and industry-specific economic conditions that may affect our expenditures;
- changes in market valuations of similar companies;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures, capital commitments, new technologies, or patents;
- future sales of our common shares or other securities, including shares issuable upon the exercise of outstanding warrants or convertible securities or otherwise issued pursuant to certain contractual rights;
- period-to-period fluctuations in our financial results; and
- low or high trading volume of our common shares due to many factors, including the terms of our financing arrangements.

In addition, if we fail to reach an important research, development or commercialization milestone or result by a publicly expected deadline, even if by only a small margin, there could be significant impact on the market price of our common shares. Additionally, as we approach the announcement of anticipated significant information and as we announce such information, we expect the price of our common shares to be particularly volatile and negative results would have a substantial negative impact on the price of our common shares and Series A Warrants.

In addition, in recent years, the stock market in general has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies, including for reasons unrelated to their operating performance. These broad market fluctuations may adversely affect our stock price, notwithstanding our operating results. The market price of our common shares and Series A Warrants will fluctuate and there can be no assurances about the levels of the market prices for our common shares and Series A Warrants.

In some cases, following periods of volatility in the market price of a company's securities, shareholders have often instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm our business operations and reputation.

As an "emerging growth company" under applicable law, we will be subject to lessened disclosure requirements, which could leave our shareholders without information or rights available to shareholders of more mature companies.

For as long as we remain an "emerging growth company" as defined in the JOBS Act, we have elected to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to:

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act;
- being permitted to provide only two years of audited financial statements, in addition to any required unaudited interim financial statements, with correspondingly reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure;
- reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements; and
- taking advantage of an extension of time to comply with new or revised financial accounting standard;
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We expect to take advantage of these reporting exemptions until we are no longer an "emerging growth company." Because of these lessened regulatory requirements, our shareholders would be left without information or rights available to shareholders of more mature companies. We cannot predict whether investors will find our common shares less attractive if we rely on these exemptions. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and our stock price may be more volatile.

We are also a “smaller reporting company” as defined in Rule 12b-2 of the Exchange Act and have elected to follow certain scaled disclosure requirements available to smaller reporting companies.

Because we have elected to use the extended transition period for complying with new or revised accounting standards for an “emerging growth company” our financial statements may not be comparable to companies that comply with public company effective dates.

We have elected to use the extended transition period for complying with new or revised accounting standards under Section 102(b)(1) of the JOBS Act. This election allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates and may contain less or more modified disclosure than those public companies. Because our financial statements may not be comparable to companies that comply with public company effective dates, investors may have difficulty evaluating or comparing our business, performance or prospects in comparison to other public companies, which may have a negative impact on the value and liquidity of our common shares.

FINRA sales practice requirements may also limit your ability to buy and sell our common shares, which could depress the price of our shares.

Financial Industry Regulatory Authority, Inc. (FINRA) rules require broker-dealers to have reasonable grounds for believing that an investment is suitable for a customer before recommending that investment to the customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer’s financial status, tax status and investment objectives, among other things. Under interpretations of these rules, FINRA believes that there is a high probability such speculative low-priced securities will not be suitable for at least some customers. Thus, FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common shares, which may limit your ability to buy and sell our shares, have an adverse effect on the market for our shares, and thereby depress our share price.

If research analysts do not publish research about our business or if they issue unfavorable commentary or downgrade our common shares or Series A Warrants, our securities’ price and trading volume could decline.

The trading market for our securities may depend in part on the research and reports that research analysts publish about us and our business. If we do not maintain adequate research coverage, or if any of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, the price of our common shares and Series A Warrants could decline. If one or more of our research analysts ceases to cover our business or fails to publish reports on us regularly, demand for our securities could decrease, which could cause the price of our common shares and Series A Warrants or trading volume to decline.

We may issue additional equity securities, or engage in other transactions that could dilute our book value or relative rights of our common shares, which may adversely affect the market price of our common shares and Series A Warrants.

Our Board of Directors may determine from time to time that it needs to raise additional capital by issuing additional shares of our common shares or other securities. Except as otherwise described in this filing, we will not be restricted from issuing additional common shares, including securities that are convertible into or exchangeable for, or that represent the right to receive, shares of our common shares. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, or nature of any future offerings, or the prices at which such offerings may be affected. Additional equity offerings may dilute the holdings of existing shareholders or reduce the market price of our common shares and Series A Warrants, or all of them. Holders of our securities are not entitled to pre-emptive rights or other protections against dilution. New investors also may have rights, preferences and privileges that are senior to, and that adversely affect, then-current holders of our securities. Additionally, if we raise additional capital by making offerings of debt or preference shares, upon our liquidation, holders of our debt securities and preference shares, and lenders with respect to other borrowings, may receive distributions of its available assets before the holders of our common shares.

An investment in our Series A Warrants is speculative in nature and could result in a loss of your investment therein.

The Series A Warrants offered in this offering do not confer any rights of common share ownership on their holders, such as voting rights or the right to receive dividends, but rather merely represent the right to acquire shares of our common shares at a fixed price for a limited period of time. Specifically, commencing on the date of issuance, holders of the Series A Warrants may exercise their right to acquire the common shares and pay an exercise price of \$6.00 per share (120% of the public offering price of our common shares and Series A Warrants in this offering), prior to three years from the date of issuance, after which date any unexercised Series A Warrants will expire and have no further value. Moreover, following this offering, the market value of the Series A Warrants is uncertain and there can be no assurance that the market value of the Series A Warrants will equal or exceed their public offering price. There can be no assurance that the market price of the common shares will ever equal or exceed the exercise price of the Series A Warrants, and consequently, whether it will ever be profitable for holders of the Series A Warrants to exercise the Series A Warrants.

Our Series A Warrants and contain a provision which only permits securities claims to be brought in federal court.

Section 11 of our Series A Warrants states in relevant part: “The Company hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan (except for claims brought under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, which must be brought in federal court)”. Therefore any claims with respect to our Series A Warrants brought under the Securities Act of 1933 or the Securities Exchange Act must be brought in federal court while all other claims may be brought in federal or state court. Proceedings in federal court may be more expensive than in state court due to more comprehensive rules on how discovery and motion and trial practice are handled. This provision may have a dampening effect on claims brought under these securities laws or limit the ability of the investor to bring a claim in the jurisdiction it deems more favorable. This provision is likely enforceable as requirements regarding bringing securities claims have been met, but it may have the overall effect of discouraging litigation due to the circumstances described herein.

We do not currently intend to pay dividends on our common shares in the foreseeable future, and consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common shares.

We have never declared or paid cash dividends on our common shares and do not anticipate paying any cash dividends to holders of our common shares in the foreseeable future. Consequently, investors must rely on sales of their common shares after price appreciation, which may never occur, as the only way to realize any future gains on their investments. There is no guarantee that our common shares will appreciate in value or even maintain the price at which our shareholders have purchased their shares.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company currently leases office space at 2233 Colombia Street, Suite 300, Vancouver, B.C., V5Y 0M6 as its principal office. The Company leases a second office space at

Weena 505, Rotterdam, Netherlands, 3013AL. The Company believes the offices are in good condition and satisfy its current operational requirements.

Item 3. Legal Proceedings

We are subject to the legal proceeding and claims described in detail in “Note 16. Commitments and Contingencies” to the audited financial statements included in this Annual Report on Form 10-K. Although the results of litigation and claims cannot be predicted with certainty, as of the date of this Annual Report on Form 10-K, we do not believe the outcome of such legal proceeding and claims, if determined adversely to us, would be reasonably expected to have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market information

Our common stock is currently quoted on Nasdaq Capital Market under the symbol “AGRI”, and warrants under the symbol “AGRIW”. Trading in our common stock has historically lacked consistent volume, and the market price has been volatile.

On March 29, 2022, the closing price for our common stock as reported on the Nasdaq Capital Market was \$3.60 per share.

Securities outstanding and holders of record

On March 29, 2022, there were approximately 305 shareholders of record for our common stock and 15,176,698 shares of our common stock issued and outstanding.

Dividend Policy

We have never paid any cash dividends on our common shares. However, we have paid common share dividends on our preferred stock. We anticipate that we will retain funds and future earnings to support operations and to finance the growth and development of our business. Therefore, we do not expect to pay cash dividends on our common shares in the foreseeable future following this offering. Any future determination to pay cash dividends on our common shares will be at the discretion of our Board of Directors and will depend on our financial condition, results of operations, capital requirements and other factors that our Board of Directors deems relevant. In addition, the terms of any future debt or credit financings may preclude us from paying dividends.

Information respecting equity compensation plans

The Company adopted a stock option plan originally on December 12, 2018 (the “Option Plan”), as amended, under which the committee of the Board (the “Committee”) may from time to time in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares (“Options”). As of the date of this filing, the Company has 717,019 Options outstanding. The Option Plan was approved by the shareholders of the Company on June 10, 2019.

The following table provides information with respect to options outstanding under our Plan:

Plan category	Number of securities to be issued upon exercise of outstanding options*	Weighted-average exercise price of outstanding options*	Number of securities remaining available for future issuance
Equity compensation plans approved by security holders	717,019	\$ 5.84	800,651
Equity compensation plans not approved by security holders	-	-	-
Total	717,019	\$ 5.84	800,651

* reflects the 1:4.75 reverse stock split effected on November 29, 2020.

Recent Sales of Unregistered Securities

On March 29, 2021, the Company issued 30,000 common shares with a fair value of \$179,700 against consulting services from a third party.

On May 10, 2021, the Company declared, and on May 11, 2021 issued, 86,739 common shares as stock dividend to holders of Series A Preferred shares issued on May 2, 2019.

On May 10, 2021, the Company declared, and on May 11, 2021 issued, 48,791 common shares as stock dividend to holders of Series A Preferred shares issued on May 10, 2019.

On May 27, 2021, the Company issued to consultants a total of 7,237 common shares.

On May 27, 2021, the Company issued 820,029 common shares as a result of 1,113,701 stock options exercised on a cashless basis at various exercise prices.

On May 28, 2021, the Company’s officers opted to receive a total of 98,356 common shares as bonus compensation for services rendered and accrued for in 2019 and 2020.

On June 24, 2021, the Company issued to a consultant working with the senior secured debentures holders, a total of 10,000 common shares on their behalf, for the term extension of the Bridge Loan (see Note 6).

On July 13, 2021, the Company declared and issued, 53,474 common shares as final stock dividend to the holders of Series A Preferred shares.

On July 13, 2021, the Company issued to consultants a total of 15,000 common shares.

On July 15, 2021, the Company issued 39,800 common shares as a result of exercise of 39,800 Series A warrants on cash basis at an exercise price of \$6 per warrant.

On July 28, 2021, 93,938 common stock purchase warrants were issued to the purchaser of the senior secured debentures, with a term of three years and a strike price per share of \$3.99.

On September 01, 2021, the Company issued to Directors 19,992 common shares as settlement of accrued directors' fee.

On October 1, 2021, the company issued 36,379 common share as part of compensation to Company's officers and executives.

On October 1, 2021, the Company issued to a consultant 3,188 common shares against services.

On October 27, 2021, the Company issued 36,275 common shares as a result of cashless exercise of 93,938 common stock purchase warrants related to the senior secured debentures.

On November 27, 2021, the Company issued 7,018 common shares on as a result of exercise of 7,018 stock options at an exercise price of \$1.30 (CAD \$1.66).

On December 31, 2021, the Company issued 35,979 common share as part of compensation to Company's officers.

During the year ended December 31, 2020, we issued an aggregate of 365,112 shares of common stock pursuant to the exercise of unregistered warrants to acquire common stock, pursuant to which exercise we received an aggregate of \$666,878. The issuance of the shares was exempt from registration by virtue of Section 4(a)(2) of the Securities Act of 1933, as amended.

Purchases of Equity Securities by the Issuer or Affiliated Purchasers

There were no repurchases of shares of common stock made during the year ended December 31, 2021.

Item 6. Selected Financial Data

As a registrant that qualifies as a smaller reporting company, AgriFORCE is not required to provide the information required by this Item.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Prospective investors should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and the related notes and other financial information included elsewhere in this Annual Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements." You should review the "Risk Factors" section of this Annual Report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. All share and per share numbers have been retroactively adjusted to reflect the 1-for-4.75 reverse stock split effected on November 29, 2020.

Company History and Our Business

AgriFORCE Growing Systems Ltd. was incorporated as a private company by Articles of Incorporation issued pursuant to the provisions of the British Columbia Business Corporations Act on December 22, 2017. The Company's registered and records office address is at 300 – 2233 Columbia Street, Vancouver, British Columbia, Canada, V5Y 0M6. On February 13, 2018, the Company changed its name from 1146470 B.C. Ltd to Canivate Growing Systems Ltd. On November 22, 2019, the Company changed its name from Canivate Growing Systems Ltd. to AgriFORCE Growing Systems Ltd.

The Company is an innovative agriculture-focused technology company that delivers reliable, financially robust solutions for high value crops through our proprietary facility design and automation intellectual property to businesses and enterprises globally. The Company intends to operate in the plant based pharmaceutical, nutraceutical, and other high value crop markets using its unique proprietary facility design and hydroponics based automated growing system that enable cultivators to effectively grow crops in a controlled environment. The Company calls its facility design and automated growing system the "AgriFORCE grow house". The Company has designed its AgriFORCE grow house to produce in virtually any environmental condition and to optimize crop yields to as near their full genetic potential as possible whilst substantially eliminating the need for the use of pesticides and/or irradiation.

Status as an Emerging Growth Company

On April 5, 2012, the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for private companies.

We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, as an "emerging growth company," we intend to rely on certain of these exemptions from, without limitation, (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board (PCAOB) regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an "emerging growth company" until the earliest of (a) the last day of our fiscal year following the fifth anniversary of the closing of this offering, (b) the last day of the first fiscal year in which our annual gross revenues exceed \$1.07 billion, (c) the last day of our fiscal year in which we are deemed to be a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, or Exchange Act (which would occur if the market value of our equity securities that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter), or (d) the date on which we have issued more than \$1 billion in nonconvertible debt during the preceding three-year period.

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FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Revenues

The Company has not generated any revenue since inception.

Operating Expenses

Operating expenses primarily consist of salaries and wages, share-based compensation, investor and public relations, research and development, consulting, professional fees, and office and administration. Operating expenses increased in the year ended December 31, 2021 as compared to December 31, 2020 by \$3,583,447 or 107%, primarily due to increase in wages and salaries by \$694,624, increase in investor relations by \$627,223, increase in consulting expenses by \$647,392, increase in office and administrative expense of \$590,322, increase in professional fees by \$436,988 and increase in research and development expenses by \$350,423 as the Company entered into growth phase post IPO and increased its staff and operations. This was partially offset by declines in shareholder and regulatory expenses of \$194,783. We expect operating expenses to increase in the future as we hire additional staff to support anticipated growth in the business and due to incremental costs to comply with the requirements of being a publicly listed company.

Research and Development

During the year ended December 31, 2021, the Company spent \$474,338 as compared to \$123,915 for the year ended December 31, 2020 in research and development costs in relation to the development of a biosphere facility and product development in relation to the IP asset purchase from Manna Nutritional Group, LLC (see Note 7 to the Financial Statements). The following represents the breakdown of research and development activities:

	December 31, 2021	December 31, 2020
Architectural fees	\$ -	\$ 28,397
Engineering consultants	-	16,962
Design and construction	177,407	4,406
Product development	296,931	74,150
	<u>\$ 474,338</u>	<u>\$ 123,915</u>

Other (Income) / Expenses

Other Income for the year ended December 31, 2021 mainly includes change in fair value of warrant liability amounting to \$1,191,383 and foreign exchange gains of \$162,976. These were partially offset by other expenses related to accretion of interest amounting to \$483,529 and loss on extension of the term related to the senior secured debentures issued by the Company on March 24, 2021 amounting to \$58,952, issue costs of public offer related to Series A Warrants amounting to \$374,465 and write-off of land deposit of \$151,711. Other income for year ended December 31, 2020 mainly included Scientific Research and Experimental Development ("SR&ED") tax incentive income of \$106,195 representing amounts received from the Canada Revenue Agency.

Net Loss

The Company recorded a net loss of \$6,643,116 for the year ended December 31, 2021 as compared to a net loss of \$3,221,526 for the year ended December 31, 2020. The increase in net loss is due to the total increase in operating expenses and other expenses outlined above.

Liquidity and Capital Resources

The Company's primary need for liquidity is to fund working capital requirements, capital expenditures, and for general corporate purposes. The Company's ability to fund operations and make planned capital expenditures and debt service obligations depends on future operating performance and cash flows, which are subject to prevailing economic conditions, financial markets, business and other factors. We have recorded a net loss of \$6,643,116 for the year ended December 31, 2021 compared to \$3,221,526 for the prior year; and recorded an accumulated deficit of \$19,900,992 as of December 31, 2021. Net cash used in operating activities for the year ended December 31, 2021 was \$5,136,947 compared to \$1,851,711 for year ended December 31, 2020.

We had \$7,775,290 in cash as at December 31, 2021 as compared to \$653,410 as at December 31, 2020.

Our future capital requirements will depend on many factors, including:

- the cost and timing of our regulatory activities, especially the process to obtain regulatory approval for our intellectual properties in the U.S. and in foreign countries
- the costs of R&D activities we undertake to further develop our technology
- the costs of constructing our grow houses, including any impact of complications, delays, and other unknown events
- the costs of commercialization activities, including sales, marketing and production
- the level of working capital required to support our growth
- our need for additional personnel, information technology or other operating infrastructure to support our growth and operations as a public company

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty. The Company is at the stage of development of its first facility and other IP. As such it is likely that additional financing will be needed by the Company to fund its operations and to develop and commercialize its technology. These factors raise substantial doubt about the Company's ability to continue as a going concern.

For the next twelve months from issuance of these financial statements, the Company will seek to obtain additional capital through the sale of debt or equity financings or other arrangements to fund operations; however, there can be no assurance that the Company will be able to raise needed capital under acceptable terms, if at all. The sale of additional equity may dilute existing shareholders and newly issued shares may contain senior rights and preferences compared to currently outstanding common shares. Issued debt securities may contain covenants and limit the Company's ability to pay dividends or make other distributions to shareholders. If the Company is unable to obtain such additional financing, future operations would need to be scaled back or discontinued. Due to the uncertainty in the Company's ability to raise capital, management believes that there is substantial doubt in the Company's ability to continue as a going concern for twelve months from the issuance of these financial statements.

Cash Flows

The net cash used by operating activities for the year ended December 31, 2021 is attributable to a net loss of \$6,643,116 due to operating costs associated with wages, investor relations, consulting expenses, professional fees, research and development, and general administrative expenses. The net loss was adjusted primarily by non-cash expenses related to shared based compensation of \$796,141, shares issued for consulting services amounting to \$321,121, accretion of interest on senior secured debentures amounting to \$483,529 and change in fair value of warrants amounting to \$1,191,383. For the year ended December 31, 2020 net cash used by operating activities was attributable to net loss of \$3,221,526 owing to wages, consulting expenses, professional fees, research and development expenses and general administrative expenses. The net loss was adjusted primarily by non-cash expenses of shared based compensation of \$571,210 and shares issued for consulting services amounting to \$438,076.

During the year ended December 31, 2021, the net cash used in investing activities mainly includes payments for acquisition of IP assets amounting to \$225,000 and payments for construction in progress of \$744,191. Comparatively, investing activity for the year ended December 31, 2020 mainly included a \$170,000 deposit for purchase of land.

Cash provided by financing activities for the year ended December 31, 2021 mainly represents cash proceeds from the IPO of \$13,360,616, net of underwriting discount and issue costs, proceeds from issuance of senior secured debentures, net of transaction costs, of \$531,000, proceeds from exercise of warrants of \$238,800, as well as proceeds from long-term loan of \$15,932, which was offset by repayment of senior secured debentures of \$750,000. The net cash provided by financing activities for the year ended December 31, 2020 represents proceeds from exercise of warrants of \$666,878 and proceeds from the Canada Emergency Business Account Program of \$31,417 (CAD 40,000), which was partially off-set by payments of IPO costs amounting to \$93,495.

Recent Financings

On July 12, 2021, the Company completed its IPO whereby it sold a total of 3,127,998 units, each consisting of one common share and one Series A warrant to purchase one common share, at a public offering price of \$5.00 for gross proceeds of \$15,639,990. The Company received net proceeds from the IPO of \$14,388,791, after deducting underwriting discounts and commissions of 1,251,199.

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On March 24, 2021, the Company entered into a securities purchase agreement with certain accredited investors for the purchase of \$750,000 in principal amount (\$600,000 subscription amount) of senior secured debentures originally due June 24, 2021 (the "Bridge Loan"). On June 24, 2021, the due date was extended to July 12, 2021. The imputed interest rate is encompassed within the original issue discount of the debentures and no additional cash interest shall be due. The debentures were issued pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, to certain purchasers who are accredited investors within the meaning of Rule 501 under the Securities Act of 1933, as amended. Each debenture holder received a warrant to purchase shares of common stock in an amount equal to 50% of the principal amount divided by 80% of the initial public offering price of the Company's common stock. The warrants were exercisable at \$3.99. Transaction costs of \$69,000 have been incurred in connection with the Bridge Loan. The senior secured debenture was repaid in full on July 13, 2021 by the Company. On October 27, 2021, the Company issued 36,275 common shares as a result of cashless exercise of 93,938 common stock purchase warrants related to the senior secured debentures.

Off Balance Sheet Arrangements

None.

Significant Accounting Policies

Cash

The Company's cash consists of cash maintained in checking and interest-bearing accounts. The Company accounts for financial instruments with original maturities of three months or less at the date of purchase as cash equivalents. The Company held no cash equivalents as of December 31, 2021 and 2020.

Property and Equipment

Property and equipment are initially recognized at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management. Property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognized on a straight-line basis to write down the cost less estimated residual value of computer equipment and furniture and fixtures. The following useful lives are applied:

Computer equipment	3 years
Furniture and fixtures	7 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within other income or other expenses.

Construction in progress includes construction progress payments, deposits, engineering costs, interest expense for debt financing on long-term construction projects and other costs directly related to the construction of the facilities. Expenditures are capitalized during the construction period and construction in progress is transferred to the relevant class of property and equipment when the assets are available for use, at which point the depreciation of the asset commences.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In order to determine if assets have been impaired, assets are grouped and tested at the lowest level for which identifiable independent cash flows are available ("asset group"). An impairment loss is recognized when the sum of projected undiscounted cash flows is less than the carrying value of the asset group. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the asset group. Fair value can be determined using a market approach, income approach or cost approach. The reversal of impairment losses is prohibited.

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Deferred IPO Costs

Deferred IPO costs represent legal, accounting and other direct costs related to the Company's efforts to raise capital through an initial public offering of the Company's common stock ("IPO"). There were no IPO costs incurred prior to 2020. The Company completed the IPO in July 2021 and accordingly all deferred IPO costs were reclassified to additional paid-in capital as a reduction of the IPO proceeds.

Revenue Recognition

The Company has not recorded any revenues since its inception. However, in the future, the Company expects to generate returns from any or all the revenue sources below from its customers:

- Rental income from facilities.
- Intellectual property income from the license of the facilities
- Management and advisory fees from management service contracts and

On January 1, 2018, the Company early adopted ASU No. 2014-09, *Revenue from Contracts with Customers* and all related amendments ("ASC 606" or "the new revenue standard"). ASC 606 is a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The new revenue standard is based on the principle that an entity should recognize revenue to depict the transfer of

goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, ASC 606 provides that an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new revenue standard also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, and costs to obtain or fulfill contracts. The Company will apply ASC 606 prospectively to all contracts.

Loss per Common Share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per common share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive share equivalents, such as stock options and warrants and assumes the receipt of proceeds upon exercise of the dilutive securities to determine the number of shares assumed to be purchased at the average market price during the year. Diluted net loss attributable to common shareholders per share does not differ from basic net loss attributable to common shareholders per share for the years ended December 31, 2021 and December 31, 2020, since the effect of the Company's stock options and warrants are anti-dilutive.

Research and Development

Expenditure on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized as expense when incurred.

Foreign Currency Transactions

The financial statements of the Company and its subsidiaries whose functional currencies are the local currencies are translated into U.S. dollars for consolidation as follows: assets and liabilities at the exchange rate as of the balance sheet date, shareholders' equity at the historical rates of exchange, and income and expense amounts at the average exchange rate for the period. Translation adjustments resulting from the translation of the subsidiaries' accounts are included in "Accumulated other comprehensive income" as equity in the consolidated balance sheets. Transactions denominated in currencies other than the applicable functional currency are converted to the functional currency at the exchange rate on the transaction date. At period end, monetary assets and liabilities are remeasured to the reporting currency using exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are remeasured at historical exchange rates. Gains and losses resulting from foreign currency transactions are included within non-operating expenses.

Fair Value of Financial Instruments

The fair value of the Company's accounts receivable, accounts payable and other current liabilities approximate their carrying amounts due to the relative short maturities of these items.

As part of the issuance of debentures on March 24, 2021, the Company issued warrants having strike price denominated in U.S. Dollars. This creates an obligation to issue shares for a price that is not denominated in the Company's functional currency and renders the warrants not indexed to the Company's stock, and therefore, must be classified as a derivative liability and measured at fair value. On the same basis, the Series A Warrants and the representative warrants issued as part of the IPO are also classified as a derivative liability and measured at fair value.

The fair value of the Company's warrants is determined in accordance with FASB ASC 820, "Fair Value Measurement," which establishes a fair value hierarchy that prioritizes the assumptions (inputs) to valuation techniques used to price assets or liabilities that are measured at fair value. The hierarchy, as defined below, gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The guidance for fair value measurements requires that assets and liabilities measured at fair value be classified and disclosed in one of the following categories:

- Level 1: Defined as observable inputs, such as quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Defined as observable inputs other than quoted prices included in Level 1. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Defined as unobservable inputs to the valuation methodology that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

As of December 31, 2021, the Company's warrant liability related to IPO warrants and representative's warrant amounting to \$1,418,964 (December 31, 2020 - \$nil) is reported at fair value and categorized as Level 1 inputs. Whereas, the fair value of warrant liability related to Bridge warrants that were issued and exercised during the year was categorized as level 3 inputs. (See Note 9 and Note 11)

Income Taxes

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted at period-end.

Deferred tax assets, including those arising from tax loss carryforwards, requires management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

The Company operates in various tax jurisdictions and is subject to audit by various tax authorities.

The Company records uncertain tax positions based on a two-step process whereby (1) a determination is made as to whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold the Company recognizes the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with the related tax authority. The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. Significant judgment is required in the identification of uncertain tax positions and in the estimation of penalties and interest on uncertain tax positions.

There were no material uncertain tax positions as of December 31, 2021 and 2020.

Share Based Compensation

The Company generally uses the straight-line method to allocate compensation cost to reporting periods over each optionee's requisite service period, which is generally the vesting period, and estimates the fair value of stock-based awards to employees and directors using the Black-Scholes option-valuation model (the "Black-Scholes model"). The Black-Scholes model requires the input of subjective assumptions, including volatility, the expected term and the fair value of the underlying common shares on the date of grant, among other inputs. The Company recognizes any forfeitures as they occur.

Recent Accounting Pronouncements

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act of 1933, as amended, as modified by the Jumpstart Our Business Start-ups Act of 2012, (the "JOBS Act"). Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 13(a) of the Securities Exchange Act of 1934, as amended, for complying with new or revised accounting standards applicable to public companies. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

Effective January 1, 2021, the Company adopted ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." ASU 2019-12 simplifies the accounting for income taxes by removing exceptions within the general principles of Topic 740 regarding the calculation of deferred tax liabilities, the incremental approach for intra-period tax allocation, and calculating income taxes in an interim period. In addition, the ASU adds clarifications to the accounting for franchise tax (or similar tax), which is partially based on income, evaluating tax basis of goodwill recognized from a business combination, and reflecting the effect of any enacted changes in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The adoption of this new guidance did not have a material impact to these financial statements.

In August 2020, the FASB issued ASU 2020-06 "Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity" ("ASU 2020-06"). The intention of ASU 2020-06 is to address the complexities in accounting for certain financial instruments with a debt and equity component. Under ASU 2020-06, the number of accounting models for convertible notes will be reduced and entities that issue convertible debt will be required to use the if-converted method for the computation of diluted "Earnings per share" under ASC 260. ASC 2020-06 is effective for fiscal years beginning after December 15, 2021 and may be adopted through either a modified retrospective method of transition or a fully retrospective method of transition. We are currently assessing the impact this guidance will have on our financial statements.

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In May 2021, the FASB issued ASU 2021-04 - Earnings Per Share (Topic 260), Debt - Modifications and Extinguishments (Subtopic 470-50), Compensation - Stock Compensation (Topic 718), and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (a consensus of the FASB Emerging Issues Task Force). ASU 2021-04 clarifies and reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options that remain equity classified after modification or exchange. Modifications and exchanges should be treated as an exchange of the original instrument for a new instrument. The amendment requires entities to measure the effect as the difference between the fair value of the modified or exchanged written call option and the fair value of that written call option immediately before it is modified or exchanged if the modification or the exchange that is a part of or directly related to a modification or an exchange of an existing debt instrument or line-of-credit or revolving-debt arrangements.

For all other modifications or exchanges, the effect should be measured as the excess, if any, of the fair value of the modified or exchanged written call option over the fair value of that written call option immediately before it is modified or exchanged for all other modifications or exchanges. The amendments require entities to recognize the effect on the basis of the substance of the transaction, in the same manner as if cash had been paid as consideration. The amendments also require entities to recognize the effect in accordance with the guidance in Topic 718, Compensation - Stock Compensation. ASU No. 2021-04 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. ASU 2021-04 will be adopted on January 1, 2022 and will not have a material impact to these financial statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses." The standard, including subsequently issued amendments, requires a financial asset measured at amortized cost basis, such as accounts receivable and certain other financial assets, to be presented at the net amount expected to be collected based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, and requires the modified retrospective approach. Early adoption is permitted. Based on the composition of the Company's trade receivables and other financial assets, current market conditions, and historical credit loss activity, the Company is currently in the process of evaluating the impact of this guidance on our financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, and has subsequently issued several supplemental and/or clarifying ASU's (collectively, "Topic 842"), which requires a dual approach for lease accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases may result in the lessee recognizing a right of use asset and a corresponding lease liability. For finance leases, the lessee would recognize interest expense and amortization of the right-of-use asset, and for operating leases, the lessee would recognize lease expense on a straight-line basis. This ASU is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years, and allows a modified retrospective approach. Early adoption is permitted. The Company is currently in the process of evaluating the impact of this guidance on our financial statements.

In October 2021, the Financial Accounting Standards Board ("FASB") issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. Under ASU 2021-08, an acquirer must recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. The guidance is effective for interim and annual periods beginning after December 15, 2022, with early adoption permitted. The Company is currently in the process of evaluating the impact of this guidance on our financial statements.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its financial condition, results of operations, cash flows or disclosures.

Related Party Transactions

As of December 31, 2021, \$47,461 (December 31, 2020 - \$3,223) in total was owing to officers and directors or to companies owned by officers and directors of the Company for services and expenses. These amounts owing have been included in accounts payable and accrued liabilities.

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During the year ended December 31, 2021 and 2020, the Company incurred \$66,246 and \$38,395, respectively, to our U.S. general counsel firm, D R Welch against legal services, a corporation controlled by a director of the Company. An aggregate of 13,158 shares (62,500 shares before the Reverse Split) were issued to David Welch as part of the payment.

During the year ended December 31, 2021 and December 31, 2020, the Company paid \$Nil and \$8,862, respectively, for consulting services to 0902550 BC Ltd. where Don Nicholson, former Chairman of the Board, is the principal consultant.

On May 1, 2019, the Company entered into a 12 month consulting agreement with Arni Johansson, a beneficial owner of the Company, to provide Investor Relations services for a monthly fee of CAD 10,000. As of December 31, 2020, the Company owed \$nil pursuant to the said agreement.

There were no other payments to related parties for the year ended December 31, 2020 and 2019 other than expense reimbursements in the ordinary course of business.

Financial Instruments

Fair Value

Our financial instruments consist of cash, other receivables, accounts payable and accrued liabilities, notes payable and warrants liability. There are no significant differences between the carrying amounts of the items reported on the statements of financial position and their estimated fair values. Our risk exposures and their impact on our financial instruments are summarized below.

Liquidity Risk

We are exposed to liquidity risk. Liquidity risk is the exposure of our Company to the risk of not being able to meet our financial obligations as they fall due. Our approach to managing liquidity risk is to regularly evaluate our projected cash from operations and to seek additional capital through equity and debt financings to ensure that we will have sufficient liquidity to meet liabilities when due. Our future liquidity is dependent on factors such as the ability to generate cash from operations and to raise money through debt or equity financing.

Foreign Currency Risk

Foreign exchange risk arises from the changes in foreign exchange rates that may affect the fair value or future cash flows of our financial assets or liabilities.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As a registrant that qualifies as a smaller reporting company, AgriFORCE is not required to provide the information required by this Item.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
AgriFORCE Growing Systems Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of AgriFORCE Growing Systems Ltd. (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of comprehensive loss, changes in shareholders equity and cash flows for each of the two years in the period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provides a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum llp

We have served as the Company’s auditor since 2020.

Costa Mesa, CA

March 29, 2022

AGRIFORCE GROWING SYSTEMS LTD.
CONSOLIDATED BALANCE SHEETS
(Expressed in US dollars)

	Note	December 31, 2021	December 31, 2020
ASSETS			
Current			
Cash		\$ 7,775,290	\$ 653,410
Other receivables		32,326	8,973
Prepaid expenses and other current assets	6	309,040	213,038
Total current assets		8,116,656	875,421
Non-current			
Property and equipment, net	4	40,971	28,443
Intangible asset	7	1,477,237	-
Lease deposit, non-current		50,608	-
Deferred IPO costs		-	390,932
Construction in progress	5	2,079,914	2,071,093
Total assets		\$ 11,765,386	\$ 3,365,889
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	8	\$ 1,532,312	\$ 1,930,988
Contingent consideration payable	7	753,727	-
Total current liabilities		2,286,039	1,930,988
Non-current			
Deferred rent		12,954	-
Warrants liability	11	1,418,964	-
Long term loan	10	47,326	31,417
Total liabilities		3,765,283	1,962,405
Commitments and contingencies	16		
Shareholders' equity			
Preferred Shares, no par value per share - unlimited shares authorized; nil and 2,258,826 shares issued and outstanding at December 31, 2021 and December 31, 2020, respectively*	12	-	6,717,873
Common shares, no par value per share - unlimited shares authorized; 15,176,698 and 8,441,617 shares issued and outstanding at December 31, 2021 and December 31, 2020, respectively*	12	25,637,543	5,696,050
Additional paid-in-capital	12	2,203,343	1,297,566
Obligation to issue shares	12	93,295	94,885
Accumulated deficit		(19,900,992)	(12,521,944)
Accumulated other comprehensive income (loss)		(33,086)	119,054
Total shareholders' equity		8,000,103	1,403,484
Total liabilities and shareholders' equity		\$ 11,765,386	\$ 3,365,889

* reflects the 1:4.75 reverse stock split effected on November 29, 2020.

The accompanying notes are an integral part of these consolidated financial statements.

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AGRIFORCE GROWING SYSTEMS LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in US dollars)
For the years ended December 31, 2021 and 2020

	Note	2021	2020
OPERATING EXPENSES			
Consulting		\$ 1,088,413	\$ 441,021
Depreciation	4	11,797	9,059
Office and administrative		780,135	189,813
Investor and public relations		748,349	121,126
Professional fees		882,146	445,158
Rent		168,315	20,898
Research and development	15	474,338	123,915
Share based compensation	12	796,141	571,210
Shareholder and regulatory		143,095	337,878
Travel and entertainment		69,598	13,426
Wages and salaries		1,766,491	1,071,867
Operating loss		(6,928,818)	(3,345,371)
OTHER EXPENSES / (INCOME)			
Foreign exchange gain		(162,976)	(17,650)
Write-off of deposit		151,711	-

Accretion of interest on senior secured debentures		483,529	-
Change in fair value of warrants	11	(1,191,383)	-
Issuance cost related to warrants		374,465	-
Loss on extension of debt term		58,952	-
SR&ED tax incentive income	15	-	(106,195)
Net loss		(6,643,116)	(3,221,526)
Dividend paid to preferred shareholders		735,932	948,064
Net loss attributable to common shareholders		(7,379,048)	(4,169,590)
Other comprehensive loss			
Foreign currency translation		(152,140)	(45,856)
Comprehensive loss attributable to common shareholders		\$ (7,531,188)	\$ (4,215,446)
Basic and diluted net loss attributed to common share*		\$ (0.66)	\$ (0.53)
Weighted average number of common shares outstanding – basic and diluted*		11,164,311	7,907,233

* reflects the 1:4.75 reverse stock split effected on November 29, 2020.

The accompanying notes are an integral part of these consolidated financial statements.

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AGRIFORCE GROWING SYSTEMS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in US dollars, except share numbers)

	Note	Common Shares*		Series A Preferred Shares*		Additional Paid-in- capital	Obligation to issue shares	Accumulated Deficit	Accumulated other comprehensive income (loss)	Total Shareholders' Equity
		# of Shares	Amount	# of Shares	Amount					
Balance, December 31, 2019		7,705,209	\$ 3,725,454	2,258,826	\$ 6,717,873	\$ 726,356	\$ 12,463	\$ (8,352,354)	\$ 164,910	\$ 2,994,702
Shares issued on exercise of warrants		365,112	666,878	-	-	-	-	-	-	666,878
Shares issued for consulting services		100,237	355,654	-	-	-	82,422	-	-	438,076
Shares issued for dividend on Preferred Shares		271,059	948,064	-	-	-	-	(948,064)	-	-
Share based compensation		-	-	-	-	571,210	-	-	-	571,210
Net loss		-	-	-	-	-	-	(3,221,526)	-	(3,221,526)
Foreign currency translation		-	-	-	-	-	-	-	(45,856)	(45,856)
Balance, December 31, 2020		8,441,617	\$ 5,696,050	2,258,826	\$ 6,717,873	\$ 1,297,566	\$ 94,885	\$ (12,521,944)	\$ 119,054	\$ 1,403,484
Shares issued for cash		3,127,998	13,262,712	-	-	-	-	-	-	13,262,712
Shares issued for conversion of series A Preferred Stock		2,258,826	6,717,873	(2,258,826)	(6,717,873)	-	-	-	-	-
Shares issued on exercise of warrants		39,800	238,800	-	-	44,644	-	-	-	283,444
Shares issued on cashless exercise of warrants		36,275	-	-	-	64,992	-	-	-	64,992
Shares issued on exercise of options		7,018	9,123	-	-	-	-	-	-	9,123
Shares issued on cashless exercise of options		820,029	-	-	-	-	-	-	-	-
Shares issued for bonus and compensation		159,775	648,449	-	-	-	-	-	-	648,449
Shares issued for consulting services		76,364	381,663	-	-	-	(1,590)	-	-	380,073
Share issued for settlement of accrued director's fee		19,992	46,783	-	-	-	-	-	-	46,783
Shares issued for dividend on Preferred shares		189,004	735,932	-	-	-	-	(735,932)	-	-
Share issue costs		-	(2,099,842)	-	-	-	-	-	-	(2,099,842)
Share based compensation		-	-	-	-	796,141	-	-	-	796,141
Net loss		-	-	-	-	-	-	(6,643,116)	-	(6,643,116)
Foreign currency translation		-	-	-	-	-	-	-	(152,140)	(152,140)
Balance, December 31, 2021		15,176,698	\$ 25,637,543	-	\$ -	\$ 2,203,343	\$ 93,295	\$ (19,900,992)	\$ (33,086)	\$ 8,000,103

* reflects the 1:4.75 reverse stock split effected on November 29, 2020.

The accompanying notes are an integral part of these consolidated financial statements.

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AGRIFORCE GROWING SYSTEMS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US Dollars)
For the years ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (6,643,116)	\$ (3,221,526)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	11,797	9,059
Share based compensation	796,141	571,210
Shares issued for consulting services	321,121	438,076
Shares issued for compensation	134,383	-
Loss on extension of debt term	58,952	-
Write-off of deposit	151,711	-
Issuance cost related to warrants	374,465	-
Change in fair value of warrants	(1,191,383)	-
Accretion of interest on senior secured debentures	483,529	-

Changes in operating assets and liabilities:		
Decrease (increase) in other receivables	(23,353)	38,724
Decrease (increase) in prepaid expenses and other current assets	(235,713)	54,779
Increase in accounts payable and accrued liabilities	662,173	257,967
Lease deposit, non-current	(50,608)	-
Deferred rent	12,954	-
Net cash used in operating activities	(5,136,947)	(1,851,711)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(25,522)	(1,574)
Acquisition of intangibles	(225,000)	-
Deposit for purchase of land	(12,000)	(170,000)
Cash paid for construction in progress	(744,191)	-
Net cash used in investing activities	(1,006,713)	(171,574)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Initial Public Offering	15,639,990	-
IPO costs paid including underwriting discount	(2,279,374)	(93,495)
Proceeds from exercise of warrants	238,800	666,878
Proceeds from long term loan	15,932	31,417
Proceeds from senior secure debentures - net	600,000	-
Financing costs of senior secured debentures	(69,000)	-
Repayment of Senior Secured Debentures	(750,000)	-
Proceeds from exercise of options	9,123	-
Net cash provided by financing activities	13,405,471	604,800
Effect of exchange rate changes on cash	(139,931)	(86,996)
Change in cash	7,121,880	(1,505,481)
Cash, beginning of year	653,410	2,158,891
Cash, end of year	\$ 7,775,290	\$ 653,410
Supplemental cash flow information:		
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -
Supplemental disclosure of non-cash investing and financing transactions		
Fair value of warrants liability	\$ 374,028	\$ -
Preferred stock dividend paid in common shares	\$ 735,932	\$ 948,064
Unpaid amount related to construction in progress included in accounts payable	\$ -	\$ 744,191
Conversion of Series A preferred stock to common shares	\$ 6,717,873	\$ -
Unpaid IPO costs	\$ -	\$ 297,437
Unpaid amount related to intangible assets included in accrued expenses	\$ 500,000	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021 and 2020

(Expressed in US Dollars, except where noted)

1. BUSINESS OVERVIEW

AgriFORCE Growing Systems Ltd. (the “Company”) was incorporated as a private company by Articles of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia) on December 22, 2017. The Company’s registered and records office address is at 300 – 2233 Columbia Street, Vancouver, British Columbia, Canada, V5Y 0M6. On February 13, 2018, the Company changed its name from 1146470 B.C. Ltd to Canivate Growing Systems Ltd. On November 22, 2019 the Company changed its name from Canivate Growing Systems Ltd. to AgriFORCE Growing Systems Ltd.

The Company is an innovative agriculture-focused technology company that delivers reliable, financially robust solutions for high value crops through our proprietary facility design and automation Intellectual Property to businesses and enterprises globally. The Company intends to operate in the plant based pharmaceutical, nutraceutical, and other high value crop markets using its unique proprietary facility design and hydroponics based automated growing system that enable cultivators to effectively grow crops in a controlled environment. The Company calls its facility design and automated growing system the “AgriFORCE grow house”. The Company has designed its AgriFORCE grow house to produce in virtually any environmental condition and to optimize crop yields to as near their full genetic potential possible whilst substantially eliminating the need for the use of pesticides and/or irradiation.

2. BASIS OF PREPARATION

Basis of Presentation

The accompanying consolidated financial statements (the “financial statements”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The financial statements and accompanying notes are the representations of the Company’s management, who is responsible for their integrity and objectivity. In the opinion of the Company’s management, the financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation.

Principal of Consolidation

Our consolidated financial statements include the accounts of our wholly owned subsidiaries. We consolidate variable interest entities (VIEs) when we have variable interests and are the primary beneficiary.

All inter-company balances and transactions have been eliminated on consolidation. These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries:

Name of entity:	Country of Incorporation	Purpose	Date of Incorporation
AgriFORCE Growing Systems Ltd.	Canada	Parent Company	Dec 22, 2017
Canivate Growing Solutions Ltd.**	Canada	Management Company	May 22, 2018
Daybreak Ag Systems Ltd.	Canada	Intellectual Property Development	Dec 4, 2019
AgriFORCE Holdings Inc.*	United States	Intellectual Property	Aug 31, 2018
		Real Estate Holding and	
West Pender Holdings, Inc.	United States	Development Company	Sep 1, 2018
AgriFORCE Investments Inc.	United States	Holding Company	Apr 9, 2019
West Pender Management Co.	United States	Management Advisory Services	Jul 9, 2019
AGI IP Co.	United States	Intellectual Property	Mar 5, 2020

* AgriFORCE Holdings Inc. was dissolved during the year ended December 31, 2020.

** Canivate Growing Solutions Ltd. was dissolved during the year ended December 31, 2021.

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During the year ended December 31, 2019, AgriFORCE Investments Inc., West Pender Holdings, Inc. and AgriFORCE Holdings Inc., wholly owned subsidiaries of the Company, commenced operations and their financial results are consolidated into the results of the Company. West Pender Management Co., a wholly owned subsidiary commenced operations in 2021 and its results are consolidated into the results of the Company. All other subsidiaries have been created and did not have any operating activities or Financial Statements as at December 31, 2021 and 2020.

Functional and Reporting Currency

The functional currency for each entity included in these consolidated financial statements is the currency of the primary economic environment in which the entity operates. These consolidated financial statements are presented in United States dollars ("U.S. dollars"). Currency conversion to U.S. dollars is performed in accordance with ASC 830, Foreign Currency Matters.

Use of Estimates

The preparation of our financial statements in accordance with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Significant estimates reflected in these financial statements include, but are not limited to, accounting for share-based compensation, valuation of warrant liability, as well as depreciation method. Actual results could differ from these estimates and those differences could be material.

Going Concern

The Company has incurred substantial operating losses since its inception and expects to continue to incur significant operating losses for the foreseeable future. As reflected in the financial statements for the year ended December 31, 2021, the Company had a net loss of \$6.6 million, \$5.1 million of net cash used in operating activities, and the Company had working capital of \$5.8 million.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty. The Company is at the stage of development of its first facility and other Intellectual Property. As such it is likely that additional financing will be needed by the Company to fund its operations and to develop and commercialize its technology. These factors raise substantial doubt about the Company's ability to continue as a going concern. For the next twelve months from issuance of these financial statements, the Company will seek to obtain additional capital through the sale of debt or equity financings or other arrangements to fund operations; however, there can be no assurance that the Company will be able to raise needed capital under acceptable terms, if at all. The sale of additional equity may dilute existing shareholders and newly issued shares may contain senior rights and preferences compared to our currently outstanding common shares. Issued debt securities may contain covenants and limit the Company's ability to pay dividends or make other distributions to shareholders. If the Company is unable to obtain such additional financing, future operations would need to be scaled back or discontinued. Due to the uncertainty in the Company's ability to raise capital, management believes that there is substantial doubt in the Company's ability to continue as a going concern for twelve months from the issuance of these financial statements.

Reverse Stock Split

On November 29, 2020, the Company effectuated a one-for-4.75 reverse stock split of the Company's common shares (the "Reverse Split"). As a result of the Reverse Split, every 4.75 shares of the Company's old common shares were converted into one share of the Company's new common shares. Fractional shares resulting from the reverse split were rounded to the nearest whole number. The Reverse Split automatically and proportionately adjusted, based on the 1:4.75 split ratio, all issued and outstanding shares of the Company's common shares, as well as common shares underlying convertible preferred shares, convertible debentures, stock options and warrants outstanding at the time of the effectiveness of the Reverse Split. The exercise price on outstanding equity based-grants was proportionately increased, while the number of shares available under the Company's equity-based plans was also proportionately reduced. Share and per share data (except par value) for the periods presented reflect the effects of the Reverse Split. References to numbers of common shares and per share data in the accompanying financial statements and notes thereto for periods ended prior to November 29, 2020 have been adjusted to reflect the Reverse Split on a retroactive basis.

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3. SIGNIFICANT ACCOUNTING POLICIES

Cash

The Company's cash consists of cash maintained in checking and interest-bearing accounts. The Company accounts for financial instruments with original maturities of three months or less at the date of purchase as cash equivalents. The Company held no cash equivalents as of December 31, 2021 and 2020.

Property and Equipment

Property and equipment are initially recognized at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management. Property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognized on a straight-line basis to write down the cost less estimated residual value of computer equipment and furniture and fixtures. The following useful lives are applied:

Computer equipment	3 years
Furniture and fixtures	7 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within other income or other expenses.

Construction in progress includes construction progress payments, deposits, engineering costs, interest expense for debt financing on long-term construction projects and other costs directly related to the construction of the facilities. Expenditures are capitalized during the construction period and construction in progress is transferred to the relevant class of property and equipment when the assets are available for use, at which point the depreciation of the asset commences.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In order to determine if assets have been impaired, assets are grouped and tested at the lowest level for which identifiable independent cash flows are available ("asset group"). An impairment loss is recognized when the sum of projected undiscounted cash flows is less than the carrying value of the asset group. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the asset group. Fair value can be determined using a market approach, income approach or cost approach. The reversal of impairment losses is prohibited.

Deferred IPO Costs

Deferred IPO costs represent legal, accounting and other direct costs related to the Company's efforts to raise capital through an initial public offering of the Company's common stock ("IPO"). There were no IPO costs incurred prior to 2020. The Company completed the IPO in July 2021 and accordingly all deferred IPO costs, except for the portion allocated to warrant liability, were reclassified to additional paid-in capital as a reduction of the IPO proceeds. The portion allocated to warrant liability was expensed in the statement of comprehensive loss.

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Revenue Recognition

The Company has not recorded any revenues since its inception. However, in the future, the Company expects to generate returns from any or all the revenue sources below from its customers:

- Rental income from facilities.
- Intellectual property income from the license of the facilities
- Management and advisory fees from management service contracts and

On January 1, 2018, the Company early adopted ASU No. 2014-09, *Revenue from Contracts with Customers* and all related amendments ("ASC 606" or "the new revenue standard"). ASC 606 is a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The new revenue standard is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, ASC 606 provides that an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new revenue standard also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, and costs to obtain or fulfill contracts. The Company will apply ASC 606 prospectively to all contracts.

Loss per Common Share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per common share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive share equivalents, such as stock options and warrants and assumes the receipt of proceeds upon exercise of the dilutive securities to determine the number of shares assumed to be purchased at the average market price during the year. Diluted net loss attributable to common shareholders per share does not differ from basic net loss attributable to common shareholders per share for the years ended December 31, 2021 and December 31, 2020, since the effect of the Company's stock options and warrants are anti-dilutive.

Research and Development

Expenditure on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized as expense when incurred.

Foreign Currency Transactions

The financial statements of the Company and its subsidiaries whose functional currencies are the local currencies are translated into U.S. dollars for consolidation as follows: assets and liabilities at the exchange rate as of the balance sheet date, shareholders' equity at the historical rates of exchange, and income and expense amounts at the average exchange rate for the period. Translation adjustments resulting from the translation of the subsidiaries' accounts are included in "Accumulated other comprehensive income" as equity in the consolidated balance sheets. Transactions denominated in currencies other than the applicable functional currency are converted to the functional currency at the exchange rate on the transaction date. At period end, monetary assets and liabilities are remeasured to the reporting currency using exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are remeasured at historical exchange rates. Gains and losses resulting from foreign currency transactions are included within non-operating expenses.

Fair value of Financial Instruments

The fair value of the Company's accounts receivable, accounts payable and other current liabilities approximate their carrying amounts due to the relative short maturities of these items.

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As part of the issuance of debentures on March 24, 2021, the Company issued warrants having strike price denominated in U.S. Dollars. This creates an obligation to issue shares for a price that is not denominated in the Company's functional currency and renders the warrants not indexed to the Company's stock, and therefore, must be classified

as a derivative liability and measured at fair value. On the same basis, the Series A Warrants and the representative warrants issued as part of the IPO are also classified as a derivative liability and measured at fair value.

The fair value of the Company's warrants is determined in accordance with FASB ASC 820, "Fair Value Measurement," which establishes a fair value hierarchy that prioritizes the assumptions (inputs) to valuation techniques used to price assets or liabilities that are measured at fair value. The hierarchy, as defined below, gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The guidance for fair value measurements requires that assets and liabilities measured at fair value be classified and disclosed in one of the following categories:

- Level 1: Defined as observable inputs, such as quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Defined as observable inputs other than quoted prices included in Level 1. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Defined as unobservable inputs to the valuation methodology that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

As of December 31, 2021, the Company's warrant liability related to IPO warrants and representative's warrant amounting to \$1,418,964 (December 31, 2020 - \$nil) is reported at fair value and categorized as Level 1 inputs. Whereas, the fair value of warrant liability related to Bridge warrants that were issued and exercised during the year was categorized as level 3 inputs. (See Note 9 and Note 11)

Reclassifications

The Company has reclassified certain amounts in the 2020 consolidated financial statements to comply with the 2021 presentation.

Income Taxes

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted at period-end.

Deferred tax assets, including those arising from tax loss carryforwards, requires management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

The Company operates in various tax jurisdictions and is subject to audit by various tax authorities.

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The Company records uncertain tax positions based on a two-step process whereby (1) a determination is made as to whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold the Company recognizes the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with the related tax authority. The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. Significant judgment is required in the identification of uncertain tax positions and in the estimation of penalties and interest on uncertain tax positions.

There were no material uncertain tax positions as of December 31, 2021 and 2020.

Share Based Compensation

The Company generally uses the straight-line method to allocate compensation cost to reporting periods over each optionee's requisite service period, which is generally the vesting period, and estimates the fair value of stock-based awards to employees and directors using the Black-Scholes option-valuation model (the "Black-Scholes model"). The Black-Scholes model requires the input of subjective assumptions, including volatility, the expected term and the fair value of the underlying common shares on the date of grant, among other inputs. The Company recognizes any forfeitures as they occur.

Recent Accounting Pronouncements

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act of 1933, as amended, as modified by the Jumpstart Our Business Start-ups Act of 2012, (the "JOBS Act"). Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 13(a) of the Securities Exchange Act of 1934, as amended, for complying with new or revised accounting standards applicable to public companies. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

Effective January 1, 2021, the Company adopted ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." ASU 2019-12 simplifies the accounting for income taxes by removing exceptions within the general principles of Topic 740 regarding the calculation of deferred tax liabilities, the incremental approach for intra-period tax allocation, and calculating income taxes in an interim period. In addition, the ASU adds clarifications to the accounting for franchise tax (or similar tax), which is partially based on income, evaluating tax basis of goodwill recognized from a business combination, and reflecting the effect of any enacted changes in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The adoption of this new guidance did not have a material impact to these financial statements.

In August 2020, the FASB issued ASU 2020-06 "Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity" ("ASU 2020-06"). The intention of ASU 2020-06 is to address the complexities in accounting for certain financial instruments with a debt and equity component. Under ASU 2020-06, the number of accounting models for convertible notes will be reduced and entities that issue convertible debt will be required to use the if-converted method for the computation of diluted "Earnings per share" under ASC 260. ASC 2020-06 is effective for fiscal years beginning after December 15, 2021 and may be adopted through either a modified retrospective method of transition or a fully retrospective method of transition. We are currently assessing the impact this guidance will have on our financial statements.

In May 2021, the FASB issued ASU 2021-04 - Earnings Per Share (Topic 260), Debt - Modifications and Extinguishments (Subtopic 470-50), Compensation - Stock Compensation (Topic 718), and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (a consensus of the FASB Emerging Issues Task Force). ASU 2021-04 clarifies and reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options that remain equity classified after modification or exchange. Modifications and exchanges should be treated as an exchange of the original instrument for a new instrument. The amendment requires entities to measure the effect as the difference between the fair value of the modified or exchanged written call option and the fair value of that written call option immediately before it is modified or exchanged if the modification or the exchange that is a part of or directly related to a modification or an exchange of an existing debt instrument or line-of-credit or revolving-debt arrangements.

For all other modifications or exchanges, the effect should be measured as the excess, if any, of the fair value of the modified or exchanged written call option over the fair value of that written call option immediately before it is modified or exchanged for all other modifications or exchanges. The amendments require entities to recognize the effect on the basis of the substance of the transaction, in the same manner as if cash had been paid as consideration. The amendments also require entities to recognize the effect in accordance with the guidance in Topic 718, Compensation - Stock Compensation. ASU No. 2021-04 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. ASU 2021-04 will be adopted on January 1, 2022 and will not have a material impact to these financial statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses." The standard, including subsequently issued amendments, requires a financial asset measured at amortized cost basis, such as accounts receivable and certain other financial assets, to be presented at the net amount expected to be collected based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, and requires the modified retrospective approach. Early adoption is permitted. Based on the composition of the Company's trade receivables and other financial assets, current market conditions, and historical credit loss activity, the Company is currently in the process of evaluating the impact of this guidance on our financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, and has subsequently issued several supplemental and/or clarifying ASU's (collectively, "Topic 842"), which requires a dual approach for lease accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases may result in the lessee recognizing a right of use asset and a corresponding lease liability. For finance leases, the lessee would recognize interest expense and amortization of the right-of-use asset, and for operating leases, the lessee would recognize lease expense on a straight-line basis. This ASU is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years, and allows a modified retrospective approach. Early adoption is permitted. The Company is currently in the process of evaluating the impact of this guidance on our financial statements.

In October 2021, the Financial Accounting Standards Board ("FASB") issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. Under ASU 2021-08, an acquirer must recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. The guidance is effective for interim and annual periods beginning after December 15, 2022, with early adoption permitted. The Company is currently in the process of evaluating the impact of this guidance on our financial statements.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its financial condition, results of operations, cash flows or disclosures.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2021	December 31, 2020
Computer equipment	\$ 22,708	\$ 13,473
Furniture and fixtures	39,997	36,323
Total property and equipment	62,705	49,796
Less: Accumulated depreciation	(21,734)	(21,353)
Property and equipment, net	\$ 40,971	\$ 28,443

Depreciation expense on property and equipment, was \$11,797 and \$9,059 for the years ended December 31, 2021 and 2020, respectively.

5. CONSTRUCTION IN PROGRESS

The Company engaged outside contractors to begin construction work on its first facility. As of December 31, 2021, \$2,079,914 (December 31, 2020 – \$2,071,093) represents progress payments related to facility construction.

6. PREPAID EXPENSES AND DEPOSITS

	December 31, 2021	December 31, 2020
Deposits	\$ 32,000	\$ 170,000
Legal retainer	33,692	43,038
Prepaid expenses	214,445	-
Others	28,903	-
	\$ 309,040	\$ 213,038

During the year ended December 31, 2020, the Company entered into a land purchase agreement in relation to construction of a facility in Coachella, California. A deposit of \$170,000 has been paid and the balance of the purchase price is subject to financing. On April 6, 2021, the scheduled close of escrow was extended to April 30, 2021 and the purchase price was increased to \$4.4 million. The Company wrote off the non-refundable portion of the deposit amounting to \$150,000 as the close of escrow period has lapsed; however the Company is currently renegotiating the terms of the agreement.

Others include an office lease deposit amounting to \$77,774, of which \$50,608 is recorded under non-current assets. (December 31, 2020 - \$Nil).

7. INTANGIBLE ASSET

Intangible asset represents \$1,477,237 of Intellectual Property ("IP") acquired under an Asset purchase agreement from Manna Nutritional Group, LLC ("MNG") on September 10, 2021. The IP encompasses patent-pending technologies to naturally process and convert grain, pulses and root vegetables, resulting in low-starch, low-sugar, high-protein, fiber-rich baking flour products, as well as a wide range of breakfast cereals, juices, natural sweeteners and baking enhancers. The terms of the agreement are as below:

The aggregate purchase price for the Purchased Assets (the "Purchase Price") is up to \$14,475,000, and shall consist of the following, subject to the terms and conditions of this Agreement, as follows:

- (i) The number of shares of Company's common stock (rounded up to the nearest whole number), restricted as to resale under Section 4(a)(2) of the Securities Act, equal to the quotient of (i) \$5,000,000 divided by (ii) a per share price equal to the average of the volume weighted average price ("VWAP") of the Company's common shares for the ten trading days immediately preceding the Due Diligence Deadline (as defined below) (the "Closing Shares"). The Closing Shares, to be due on the Closing Date, which Closing Shares are restricted as to resale and issued under a private placement exempt from registration under Section 4(a) (2) of the Securities Act, are subject to release of restriction and lockup on a quarterly basis over ten quarters commencing on the Closing Date in equal amounts of shares over ten consecutive calendar quarters. The Closing Shares are due and will be issued to MNG upon the date that is 180 days from the Effective Date (September 10, 2021) (the "Due Diligence Deadline"), with such due diligence being comprised of (the following three bullet points are the key performance indicators "KPIs"):
- Receipt and Tasting of Flours and Sweeteners by the Company;
 - Independent Lab Testing of Flours and Sweeteners by the Company to confirm fiber, protein, and starch content of such products meets the specifications provided by MNG; and
 - Completion by the Company of Third-Party Engineering Process Analysis, included in the scope of work outlined by Covert Engineers, dated August 11, 2021, for conceptual and preliminary plant design for a Pilot Manufacturing Facility.

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- (ii) \$1,475,000 in cash, minus any amounts paid to MNG under (iii), payable to MNG at Closing;
- (iii) \$725,000 in cash payable follows: (a) \$225,000 payable on the Effective Date; and (b) \$500,000 payable within 120 days after the Effective Date, to reimburse MNG for, without limitation, satisfaction of all the secured debt as listed in Section 2.04 of the Disclosure Schedules to the Agreement (the "Secured Debt").
- (iv) The number of shares of Company's common stock (rounded up to the nearest whole number) to be issued in two tranches that equals (i) \$8,000,000 divided by (ii) a per share price equal to the VWAP of the Company's common shares for the ten trading days immediately before the issuance date of those shares ("Post Closing Shares"). \$5,000,000 of the Post-Closing Shares will be issued on June 30, 2022, to be held in Escrow. \$3,000,000 of the Post-Closing Shares will be issued to MNG on December 31, 2022, to be held in Escrow. All distributions and dividends attributable to the Post-Closing Shares (collectively, "Dividends") will accrue for the benefit of MNG and will be held in Escrow pending release of the Post-Closing Shares, in which case all Dividends will be released to MNG at the same time as the Post-Closing Shares are so released. Until Post-Closing Shares are released from Escrow, all voting rights thereto shall be exercised as directed by the Company's Board of Directors. If a Patent is issued within 24 months of the Closing Date, and such Patent is transferred to the Company free and clear of all encumbrances, then the Post-Closing Shares shall be released from Escrow in four equal amounts commencing on the date of issuance of the Patent and then for the three subsequent three-month anniversaries thereof.

In the event that after 24 months from the closing date, a Patent does not issue from the IP, Buyer's obligation to issue the Post-Closing Shares and Dividends to MNG will be deemed null and void ab initio and will no longer be due and owing to MNG, and the Post-Closing Shares shall be released from escrow and returned to the Company, and the Purchase Price shall be adjusted downward dollar for dollar.

Based on the terms above and in conformity with US GAAP, the Company accounted for purchase as an asset acquisition and has deemed the asset purchased as an in-process research and development. The Company has further deemed the asset to be of indefinite life until the completion of the associated research and development ("R&D") activities. Once completed and commercialized, the asset will be amortized over its useful life. The recognition of the IP asset is based on the payments made to date of \$225,000 and contingent consideration that is probable and reasonably estimable as of the reporting date. Subsequent changes in contingent consideration are recorded against cost. As of December 31, 2021, the company has recorded \$500,000 under accrued expenses, related to reimbursement for satisfaction of secured debt of seller. Further, the company has recorded \$753,727 as contingent consideration, which is considered probable and due on closing. The remaining amounts payable as described above were not deemed to be probable at December 31, 2021, and accordingly have not been accrued for.

Subsequent to the year end, the Company paid \$500,000 to satisfy the secured debt of seller.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2021	December 31, 2020
Accounts payable	\$ 414,117	\$ 991,565
Accrued expenses	981,027	905,629
Others	137,168	33,794
	<u>\$ 1,532,312</u>	<u>\$ 1,930,988</u>

Accounts payable includes \$Nil (December 31, 2020 - \$744,191) payable to outside contractor in relation to facility construction. Accrued expenses include bonus payable of \$Nil (December 31, 2020 - \$487,983), withholding taxes payable \$89,236 (December 31, 2020 - \$Nil) and Directors fees payable of \$39,309 (December 31, 2020 - \$128,448). Accounts payable and accrued liabilities include a total unpaid IPO cost of \$Nil (December 31, 2020 - \$297,437).

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9. SENIOR SECURED DEBENTURES

On March 24, 2021, the Company entered into a securities purchase agreement with certain accredited investors for the purchase of \$50,000 in principal amount (\$600,000 subscription amount) of senior secured debentures originally due June 24, 2021 (the "Bridge Loan"). The imputed interest rate is encompassed within the original issue discount of the debentures and no additional cash interest shall be due. The debentures were issued pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, to certain purchasers who are accredited investors within the meaning of Rule 501 under the Securities Act of 1933, as amended. Transaction costs of \$69,000 have been recorded in connection with the Bridge Loan.

On June 24, 2021, the due date was extended, for which the Company paid an extension fee of \$10,000 common shares with a fair value of \$60,000. The senior secured debentures were repaid in full on July 13, 2021.

As part of the bridge loan, the debenture holder was issued warrants (the "Bridge Warrants") to purchase 93,938 common shares with a strike price of \$3.99 per share. The term of the warrants was three years. In accordance with U.S. GAAP, the fair value of the warrants was initially recorded as a liability in the balance sheet using Black-Scholes option-pricing model. The Company remeasures the fair value of the warrants liability at each reporting date until the warrants are exercised or have expired. Changes in the fair value of the warrants liability is reported in the statements of comprehensive income / (loss) as income or expense. The fair value of the warrants liability is subject to significant fluctuation based on changes in the inputs to the Black-Scholes option-pricing model, including our common stock price, expected volatility, expected term, the risk-free interest rate and dividend yield. The market price for our common stock may be volatile. Consequently, future fluctuations in the price of our common stock may cause significant increases or decreases in the fair value of the warrants.

The changes in the fair value of the Bridge Warrants amounting to \$203,456 is charged to the statement of comprehensive income / (loss). The warrants were exercised on

October 27, 2021 and accordingly, the warrant liability was extinguished. The fair value of the warrants prior to exercise was estimated at \$64,992, determined using the Black-Scholes option pricing model and the following assumptions; stock price \$2.16, dividend yield – nil, expected volatility 73%, risk free rate of return 0.94%, expected term of 3 years.

10. LONG TERM LOAN

During the year ended December 31, 2020, the Company entered into a loan agreement with Alterna Bank for a principal amount of \$1,417 (CAD\$ 40,000) under the Canada Emergency Business Account Program (the “Program”).

The Program, as set out by the Government of Canada, requires that the funds from this loan shall only be used by the Company to pay non-deferrable operating expenses including, without limitation, payroll, rent, utilities, insurance, property tax and regularly scheduled debt service, and may not be used to fund any payments or expenses such as prepayment/refinancing of existing indebtedness, payments of dividends, distributions and increases in management compensation.

The loan is interest free for an initial term that ends on December 31, 2023. Repaying the loan balance on or before December 31, 2023 will result in loan forgiveness of up to a third of loan value (up to CAD \$20,000). Any outstanding loan after initial term carries an interest rate of 5% per annum, payable monthly during the extended term i.e. January 31, 2024 to December 31, 2025.

In April 2021, the Company applied for additional loan with Alterna Bank under the Program and received \$15,909 (CAD\$20,000). The expansion loan is subject to the original terms and conditions of the Program.

11. WARRANTS LIABILITY

As of December 31, 2021, the warrant liability represents aggregate fair value of publicly traded 3,088,198 Series A Warrants and 135,999 representative’s warrants.

The representative’s warrant is exercisable one year from the effective date of the registration statement for the IPO and will expire three years after the effective date. The exercise price of the representative’s warrant is \$6 per share. The warrants have been deemed compensation by FINRA and are therefore subject to a 180-day lock-up pursuant to Rule 5110(e)(1) of FINRA. The underwriter (or permitted assignees under Rule 5110(e)(1)) will not sell, transfer, assign, pledge, or hypothecate these warrants or the securities underlying these warrants, nor will they engage in any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the warrants or the underlying securities for a period of 180 days from the date of this prospectus. The exercise price and number of shares issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, extraordinary cash dividend or recapitalization, reorganization, merger or consolidation.

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The change in fair value on the warrant liability amounting to \$1,191,383 is recorded in the statement of comprehensive loss for the year ended December 30, 2021. This includes change in fair value related to the Bridge Warrants amounting to \$203,456.

12. SHARE CAPITAL

a) Authorized Share Capital

On March 1, 2019, the Company changed its share structure with a Directors’ resolution to replace Class – A voting shares with Common voting Shares, and to eliminate Class-B non-voting shares (where nil were issued), and created a new series of Preferred shares with no par value and unlimited number of shares. Holders of Preferred shares shall be entitled to receive distribution ahead of holders of Common shares. In addition, Preferred shareholders are also entitled to a fixed premium (if specifically provided in the special rights and restrictions attached to a specific series of Preferred shares), prior to any distributions to holders of Common shares in the event of dissolution, liquidation or winding-up of the Company.

b) Issued Share Capital

The Company had the following common share transactions during the year ended December 31, 2020:

- On May 2, 2020, the Company declared and issued 86,739 common shares at \$3.37 (CAD \$4.75) (412,008 common shares at \$0.71 (CAD \$1.00) before the Reverse Split) as stock dividend to holders of Series A Preferred shares issued on May 2, 2019.
- On May 10, 2020, the Company declared and issued 48,791 common shares at \$3.42 (CAD \$4.75) (231,758 common shares at \$0.72 (CAD \$1.00) before the Reverse Split) as stock dividend to holders of Series A Preferred shares issued on May 10, 2019.
- On November 2, 2020, the Company declared and issued 86,739 common shares at \$3.56 (CAD \$4.75) (412,008 common shares at \$0.75 (CAD \$1.00) before the Reverse Split) as stock dividend to holders of Series A Preferred shares issued on May 2, 2019.
- On November 10, 2020, the Company declared and issued 48,791 common shares at \$3.66 (CAD \$4.75) (231,758 common shares at \$0.77 (CAD \$1.00) before the Reverse Split) as stock dividend to holders of Series A Preferred shares issued on May 10, 2019.
- During the year ended December 31, 2020, 365,113 (1,734,285 before the Reverse Split) warrants were exercised at a price of CAD \$2.38 (CAD \$0.50 before the Reverse Split).
- At various times during the year ended December 31, 2020, the Company issued 100,237 common shares (476,126 before the Reverse Split) to various consultants for services rendered.

The Company had the following common share transactions during the year ended December 31, 2021:

- On March 29, 2021, the Company issued 30,000 common shares with a fair value of \$179,700 against consulting services from a third party.
- On May 10, 2021, the Company declared, and on May 11, 2021 issued, 86,739 common shares as stock dividend to holders of Series A Preferred shares issued on May 2, 2019.
- On May 10, 2021, the Company declared, and on May 11, 2021 issued, 48,791 common shares as stock dividend to holders of Series A Preferred shares issued on May 10, 2019.
- On May 27, 2021, the Company issued to consultants a total of 7,237 common shares.
- On May 27, 2021, the Company issued 820,029 common shares as a result of 1,113,701 stock options exercised on a cashless basis at various exercise prices.

- On May 28, 2021, the Company's officers opted to receive a total of 98,356 common shares as bonus compensation for services rendered and accrued for in 2019 and 2020.
- On June 24, 2021, the Company issued to a consultant working with the senior secured debentures holders, a total of 10,000 common shares on their behalf, for the term extension of the Bridge Loan (see Note 6).
- On July 12, 2021, the Company completed its IPO whereby it sold a total of 3,127,998 units, each consisting of one common share and one Series A warrant to purchase one common share, at a public offering price of \$5.00 for gross proceeds of \$15,639,990. The Company received net proceeds from the IPO of \$14,388,791, after deducting underwriting discounts and commissions of 1,251,199.
- On July 12, 2021, with the closing of the IPO, 2,258,826 common shares were issued upon the conversion of all of its issued and outstanding Series A Preferred Shares.
- On July 13, 2021, the Company declared and issued, 53,474 common shares as final stock dividend to the holders of Series A Preferred shares.
- On July 13, 2021, the Company issued to consultants a total of 15,000 common shares.
- On July 15, 2021, the Company issued 39,800 common shares as a result of exercise of 39,800 Series A warrants on cash basis at an exercise price of \$6 per warrant.
- On July 28, 2021, 93,938 common stock purchase warrants were issued to the purchaser of the senior secured debentures, with a term of three years and a strike price per share of \$3.99.
- On September 01, 2021, the Company issued to Directors 19,992 common shares as settlement of accrued directors' fee.
- On October 1, 2021, the company issued 36,379 common share as part of compensation to Company's officers and executives.
- On October 1, 2021, the Company issued to a consultant 3,188 common shares against services.
- On October 27, 2021, the Company issued 36,275 common shares as a result of cashless exercise of 93,938 common stock purchase warrants related to the senior secured debentures.
- On November 27, 2021, the Company issued 7,018 common shares on as a result of exercise of 7,018 stock options at an exercise price of \$1.30 (CAD \$1.66).
- On December 31, 2021, the Company issued 35,979 common share as part of compensation to Company's officers.

c) *Stock Options*

The Company has adopted a stock option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company. The terms and conditions of the stock options are determined by the Board of Directors.

On May 28, 2019, at the Company's annual general meeting, shareholders approved an amendment to the Stock Option Plan to increase the number of authorized shares subject to the stock option plan to 15% of the issued and outstanding shares of the Company (including any unconverted Series A Preferred Shares).

For the year ended December 31, 2021, the Company recorded aggregate share-based compensation expense of \$796,141 (December 31, 2020 - \$571,210) for all stock options on a straight-line basis over the vesting period.

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As of December 31, 2021, 717,019 (December 31, 2020 - 1,450,918) Stock Options were outstanding at a weighted average exercise price of \$5.63 (CAD 7.14) [December 31, 2020 - \$2.01 (CAD 2.56)], of which 280,938 (December 31, 2020 - 1,161,726) were exercisable.

The amounts recognized as share-based payments and stock options are included in share-based compensation on the Statement of Loss and Comprehensive Loss.

As of December 31, 2021, there was \$634,626 (December 31, 2020 - \$275,150) of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the stock option plan; that cost is expected to be recognized over a period of 3 years (December 31, 2020 - 2 years).

The following summarizes stock option activity during the years ended December 31, 2021 and 2020:

	<u>Number of Options*</u>	<u>Weighted Average Exercise Price*</u>	<u>Weighted Average Remaining Life (years)</u>
Balance at December 31, 2019	<u>1,106,711</u>	<u>\$ 1.35</u>	<u>4.98</u>
Granted	387,760	\$ 3.73	5.46
Forfeited	(25,132)	\$ 1.31	-
Cancelled	(18,421)	\$ 1.31	-
Balance at December 31, 2020	<u>1,450,918</u>	<u>\$ 2.01</u>	<u>4.38</u>
Granted	509,788	\$ 7.00	4.47
Exercised	(1,120,719)	3.23	-
Forfeited	(28,947)	\$ 4.75	-
Cancelled	(94,021)	\$ 6.70	-
Balance at December 31, 2021	<u>717,019</u>	<u>\$ 5.84</u>	<u>4.48</u>

* reflects the 1:4.75 reverse stock split effected on November 29, 2020.

The Company's outstanding and exercisable stock options at December 31, 2021 were:

<u>Outstanding Options*</u>	<u>Exercisable Options*</u>
-----------------------------	-----------------------------

Expiry Date	Number	Weighted Average Remaining Life (years)	Weighted Average Exercise Price CAD \$	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
January 31, 2026	921	4.09	4.75	3.75	921	3.75
June 30, 2026	255,594	4.50	4.75	3.75	211,993	3.75
May 31, 2026	355,775	4.42	8.87	7.00	59,296	7.00
July 15, 2026	55,445	4.54	8.87	7.00	4,620	7.00
September 30, 2026	49,284	4.75	8.87	7.00	4,108	7.00
Total Share Options	717,019	4.48	7.40	5.84	280,938	4.53

* reflects the 1:4.75 reverse stock split effected on November 29, 2020.

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Stock-based compensation expense recognized is based on options expected to vest, the fair value of each employee option grant during the years ended December 31, 2021 and 2020 was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2021	December 31, 2020
Expected volatility	80.00%	79.60%
Expected term (in years)	3.31	3.44
Risk-free interest rate	0.92%	0.45%
Fair value of options	\$ 2.59	\$ 1.90

d) Warrants

The Company's outstanding warrants as of December 31, 2021 were:

	Number of warrants*	Weighted average exercise price* CAD	Weighted average exercise price* \$	Expiry Date
Outstanding, December 31, 2019	3,398,996	7.70	6.05	
Exercised during quarter 4, 2020	(365,112)	2.38	1.87	December 21, 2021**
Expired during quarter 4, 2020	(63,157)	2.38	1.87	October 15, 2021**
Expired during quarter 4, 2020	(163,610)	2.38	1.87	December 21, 2021**
Expired during quarter 4, 2020	(33,684)	1.66	1.30	December 31, 2021**
Expired during quarter 4, 2020	(210,526)	2.38	1.87	January 16, 2022**
Expired during quarter 4, 2020	(16,842)	1.66	1.30	January 21, 2022**
Outstanding, December 31, 2020	2,546,065	9.50	7.46	
Granted during quarter 3, 2021	3,263,997	7.48	6.00	July 12, 2024
Granted during quarter 3, 2021	93,938	4.98	3.99	July 28, 2024
Exercised during quarter 3, 2021	(39,800)	7.48	6.00	July 12, 2024
Exercised during quarter 4, 2021	(93,938)	4.98	3.99	July 28, 2024
Outstanding, December 31, 2021	5,770,262	7.49	5.91	

* reflects the 1:4.75 reverse stock split effected on November 29, 2020.

** pursuant to the terms of the warrants, the warrants were accelerated to expire on October 10, 2020 due to occurrence of an acceleration event. Accordingly, any unexercised warrants were terminated.

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13. INCOME TAXES

For the year ended December 31, 2021 and 2020, loss before income tax provision consisted of the following:

	December 31, 2021	December 31, 2020
Domestic operations - Canada	\$ (6,202,837)	\$ (2,732,888)
Foreign operations - United States	(440,279)	(488,638)
Total loss before taxes	\$ (6,643,116)	\$ (3,221,526)

Income tax expense (benefit) consists of the following for the years ended December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
Loss before taxes	\$ (6,643,116)	\$ (3,221,526)
Statutory tax rate	27.00%	27.00%
Income taxes at the statutory rate	\$ (1,793,641)	\$ (869,812)
Change in fair value of warrants	(321,674)	-
Other permanent differences	93,375	-
Stock-based compensation	253,556	154,227
Share issue costs	(112,812)	(45,854)

Others	18,499	(41,388)
Total	<u>\$ (1,862,697)</u>	<u>\$ (720,051)</u>
Change in valuation Allowance	\$ 1,862,697	\$ 720,051
Total income tax expense (benefit)	<u>\$ -</u>	<u>\$ -</u>

The Company is subject to Canadian federal and provincial tax for the estimated assessable profit for the years ended December 31, 2020 and 2021 at a rate of 27%.

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets if it is more likely than not that we will not realize those tax assets through future operations. Significant components of the Company's deferred taxes are as follows:

	December 31, 2021	December 31, 2020
Deferred tax assets:		
Unused net operating losses carry forward - Canada and United States	\$ 4,459,457	\$ 2,669,781
Unused capital losses carry forward	40,962	-
Share issue costs	174,377	142,318
Property and equipment	-	-
Total deferred tax assets	\$ 4,674,796	\$ 2,812,099
Deferred tax asset not recognized	-	-
Net deferred tax assets	<u>4,674,796</u>	<u>2,812,099</u>
Deferred tax liability:		
Total deferred tax liability	<u>-</u>	<u>-</u>
Valuation Allowance	\$ (4,674,796)	\$ (2,812,099)
Net deferred tax assets (liabilities)	<u>\$ -</u>	<u>\$ -</u>

The Company has Non-Capital Losses of \$15.7 million as of December 31, 2021 and \$9.3 million as of December 31, 2020, which are due to expire between 2039 and 2041 and which can be used to offset future taxable income in Canada. For foreign operations in United States, aggregate net operating losses are \$0.9 million as of December 31, 2021 (2020 - \$0.6 million) which can be carried forward indefinitely. The Company has Capital Losses of \$0.2 million as of December 31, 2021 and \$Nil as of December 31, 2020, which expires after 5 years and can be used to offset future taxable capital gains in the United States. Non-Capital Losses in Canada can be carried forward after change of ownership, if the particular business which gave rise to the loss is carried on by the company for profit or with a reasonable expectation of profit. Certain accumulated net operating losses in United States are subject to an annual limitation from equity shifts, which constitute a change of ownership as defined under Internal Revenue Code ("IRC") Section 382. These rules will limit the utilization of the losses.

The Company files income tax returns in Canada and the United States and is subject to examination in these jurisdictions for all years since the Company's inception in 2017. As at December 31, 2021, no tax authority audits are currently underway.

The Company currently has no uncertain tax position and is therefore not reflecting any adjustments.

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14. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing, and executing the activities of the Company. The Company has determined that its key management personnel consist of the Company's officers and directors.

	December 31, 2021	December 31, 2020
Accounting fees (included in professional)	\$ 3,473	\$ 15,225

As of December 31, 2021, \$47,461 (December 31, 2020 - \$3,223) in total was owing to officers and directors or to companies owned by officers and directors of the Company for services and expenses. These amounts owing have been included in accounts payable and accrued liabilities.

During the year ended December 31, 2021 and 2020, the Company incurred \$66,246 and \$38,395, respectively, to our U.S. general counsel firm, D R Welch against legal services, a corporation controlled by a director of the Company. An aggregate of 13,158 shares (62,500 shares before the Reverse Split) were issued to David Welch as part of the payment.

During the year ended December 31, 2021 and December 31, 2020, the Company paid \$Nil and \$8,862, respectively, for consulting services to 0902550 BC Ltd. where Don Nicholson, former Chairman of the Board, is the principal consultant.

On May 1, 2019, the Company entered into a 12 months consulting agreement with Arni Johansson to provide Investor Relations services for a monthly fee of CAD10,000. As of December 31, 2020, the Company owed \$Nil pursuant to the said agreement.

There were no other payments to related parties for the year ended December 31, 2021 and 2020 other than expense reimbursements in the ordinary course of business.

15. RESEARCH AND DEVELOPMENT

During the year ended December 31, 2021, the Company spent \$474,338 (December 31, 2020 - \$123,915) in research and development costs in relation to the development of a biosphere facility and product development in relation to the IP asset purchase from Manna Nutritional Group, LLC (see Note 7). The following represents the breakdown of research and development activities:

	December 31, 2021	December 31, 2020
Architectural fees	\$ -	\$ 28,397
Engineering consultants	-	16,962
Design and construction	177,407	4,406
Product development	296,931	74,150
	<u>\$ 474,338</u>	<u>\$ 123,915</u>

The Company recorded Scientific Research and Experimental Development (“SR&ED”) tax incentive income of \$Nil during the year ended December 31, 2021 (December 31, 2020 - \$106,195). SR&ED tax incentive income is recognized when there is reasonable assurance that the income will be received, the relevant expenditure has been incurred, and the consideration can be reliably measured. The Company’s SR&ED tax incentive income has been recognized as other income as it is not indicative of the core operating activities or revenue producing goals of the Company.

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16. COMMITMENTS AND CONTINGENCIES

Lease commitments

The Company entered into an operating lease for office space. The minimum future payments under the lease for our continuing operations in each of the years ending December 31 is as follows:

2022	\$	283,952
2023	\$	289,628
2024	\$	299,563
2025	\$	316,593
2026	\$	316,593
Subsequent years	\$	870,631
	\$	<u>2,376,960</u>

Contingencies

Litigation

During the years ended December 31, 2021 and December 31, 2019, the Company had no new contingencies to disclose.

During the year ended December 31, 2018, the Company entered into a purchase agreement with certain parties representing proprietary technology. As consideration for the purchase of the technology and attendant intellectual property rights, the Company issued an aggregate of 5,263,158 (25,000,000 before the Reverse Split) Class A common voting shares (the “Class A Shares”).

An additional 105,263 (500,000 before the Reverse Split) Class A Shares was issued for consulting services to assist with application of the proprietary technology to the Company’s business.

Subsequent to the execution of these agreements, the Company was notified as to certain issues relating to the transaction agreements that were executed and the intellectual property risks that were purportedly transferred. After several months of analysis with various professionals, the Company determined that the technology was in fact invalid and therefore without any value.

On May 15, 2019, a claim by HydroHaus Horticulture, Inc., Stuart Brazier and Christopher Gielnik was filed in BC Supreme Court. The basic allegations against AgriFORCE Growing Systems Ltd. are:

1. The Company breached the manufacturing agreement under which HydroHaus Horticulture claims it had the exclusive right to build hydro houses for the Company;
2. The Company advised HydroHaus Horticulture that it was in breach of the licensing agreement relating to its project to build a hydro house for the Nak’azdli causing HydroHaus Horticulture to spend approximately \$130,000 to change the way it was to perform that contract;
3. The Company owes approximately \$100,000 for expenses paid for by HydroHaus Horticulture, which has not been accrued for at this time as management does not believe the merits are valid. Should any amounts be required to be paid as a result of the claim, the Company will appropriately record at that time; and
4. The Company wrongfully rescinded its agreements with HydroHaus Horticulture.

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The plaintiffs are seeking general and special damages, alternatively rescission of the agreements or specific performance of those agreements and payment for expenses incurred by HydroHaus Horticulture for the benefit of the Company. The plaintiffs are also seeking an order that the Hydrohaus IP (allegedly comprising certain cladding materials and methods of insulating greenhouses, regulating humidity, moving growing plants, and managing the movement of air, and any derivative works), and an associated patent application, be transferred to the them. The Plaintiffs are also seeking an order prohibiting the Company from using the words, “Canivate”, “ the Canivate Way”, “HydroFilm”, “Hydrohouse” and “Hydrohaus”.

On May 24, 2019, the Company filed a Response to the claim. That response denies the allegations in the claim, raises the defense that the plaintiffs wrongfully purported to sell intellectual property which they falsely stated they had invented and owned and states that the intellectual property was unworkable to build greenhouses. The Company also alleges that the plaintiffs falsely represented that their work for the Kak’adzdli would benefit the Company when it would not. The Response asks that the claim be dismissed.

The Company has also filed a Counterclaim based upon its allegations that the plaintiffs wrongfully induced the Company to enter agreements with the plaintiffs based on fraudulent misrepresentations regarding the existence of ownership of intellectual property. Further, the counterclaim alleges that Mr. Brazier breached his fiduciary duties to Canivate in preferring the interests of Hydrohaus over those of the Company.

The counterclaim seeks a declaration that the agreements which the Company rescinded were properly rescinded based upon the misrepresentations of the plaintiffs as well as general, special, aggravated and punitive damages, an accounting for profits, and legal costs.

17. SUBSEQUENT EVENTS

The Company evaluated subsequent events through March 29, 2022, the date on which these financial statements were available to be issued, to ensure that this filing includes appropriate disclosure of events both recognized in the financial statements as of December 31, 2021, and events which occurred subsequent to December 31, 2021 but were not recognized in the financial statements. Except as disclosed below, there were no events that required recognition, adjustment to or disclosure in the financial statements.

On February 10, 2022, the Company signed a definitive agreement to acquire Delphy Groep BV (“Delphy”), a Netherlands-based AgTech consultancy firm, for \$26 million through a combination of cash and stock. The closing of the transaction is expected to occur within 60 days of the signing date.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures***Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a—15(e) and 15d—15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of such date, our disclosure controls and procedures were effective.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Management’s Annual Report on Internal Control Over Financial Reporting

This Annual Report on Form 10-K does not include a report of management’s assessment regarding internal control over financial reporting or an attestation report of the Company’s registered public accounting firm due to a transition period established by the rules of the SEC for newly public companies.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III**Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this Item is incorporated by reference from our definitive proxy statement for our 2021 Annual Meeting of Stockholders (the “Proxy Statement”). The definitive Proxy Statement will be filed with the SEC within 120 days after the close of the fiscal year covered by this Annual Report on Form 10-K.

Name	Age	Position	Served Since
Ingo W. Mueller*	56	Chairman, Director, Chief Executive Officer	December 2017
Donald Nicholson*	82	Chairman, Director, Audit Committee	July 2018
William J. Meekison	57	Director, Audit Committee, Compensation Committee	June 2019
David Welch	40	Director, Nominating and Governance Committee	June 2019
Richard Levychin	63	Director, Audit Committee Chair, Nominating and Governance Committee, Compensation Committee	July 2021
Amy Griffith	49	Director, Audit Committee, Compensation Committee Chair, Nominating and Governance Committee	July 2021
Richard S. Wong	57	Chief Financial Officer	October 2018
Troy T. McClellan	60	President, AgriFORCE Solutions	February 2018
Mauro Pennella	56	Chief Marketing Officer and President AgriFORCE Brands division.	July 2021
Dr. Laila Benkrima	59	Chief Scientist	May 2018

*Donald Nicholson resigned as Director and Chairman of the Board effective September 24, 2021. Ingo Mueller was appointed as Chairman of the Board effective September 24, 2021.

Directors serve until the next annual meeting and until their successors are elected and qualified. Officers are appointed to serve for one year until the meeting of the Board of Directors following the annual meeting of shareholders and until their successors have been elected and qualified.

Ingo Wilhelm Mueller – Chairman, Director and Chief Executive Officer

Mr. Mueller has been involved in the finance and advisory business for the past 25 years having been involved in the financing of companies and projects. Mr. Mueller is the founder and currently the CEO of the Company since inception and has been responsible for the development of the Company’s intellectual property, business model and financing. He is full time with the Company. He is also currently the CEO of St. George Capital Corp. (since 1998), doing business as Capital Fusion Group, a private financial advisory firm. Mr. Mueller was Chairman and CEO of International Coal Company Ltd. from 2008-2010 before it was sold to London Mining plc, after which Mr. Mueller was named Chairman and CEO of London Mining Colombia Ltd. (2010 to 2012). Mr. Mueller was also the CEO and Chairman of WIGU City Edutainment Centers Plc (2014 to 2017). Mr. Mueller has a Bachelor Commerce (major in Finance and minor in Urban Land Economics) from the University of British Columbia. The Board has determined that Mr. Mueller is suited to serve on the Board due to his long standing involvement in the financial community. Mr. Mueller was appointed as the Chairman of the Board effective September 24, 2021.

Don Nicholson, Chairman, Director

Mr. Nicholson began his career as an engineer at Shell Canada Ltd. and went on to serve as President, Vice President and Chief Executive Officer of several multinational companies. Mr. Nicholson has been retired for the past five years. Prior to his retirement, he acted as President of Pan Pacific Aggregates plc from January 2005 to August 2008.

Mr. Nicholson was responsible for executing major projects in the LNG, power generation, mining, nuclear, natural gas production, and pipeline construction industries. Prior to his retirement, he was a member of the Registered Professional Engineers of the Province of British Columbia, a Member of Prospector and Developers Association of Canada, of the Canadian Institute of Mining and Metallurgy, and the Institute of Corporate Directors of Canada. Mr. Nicholson earned a B.A. Sc., in Electrical Engineering at the University of British Columbia and a DIC in Automatic Control Systems at the Imperial College in London, England. Mr. Nicholson resigned as Chairman and Board member effective September 24, 2021.

David Welch, Director, Nominating and Governance Committee

Mr. Welch is the founding partner at D|R Welch Law, a law firm in Los Angeles, California for which he has been employed full time for the past five years.. He has a broad base of experience in representing clients in the areas of litigation, corporate governance and financing, intellectual property and regulatory advisement and defense. Mr. Welch also focuses on complex commercial transactions and finance. Mr. Welch obtained his Juris Doctorate degree from Loyola Law School and received his Bachelor of Arts in Political Science from the California State University, Fullerton. He is a member of the Los Angeles County and American Bar Associations. He is suited to serve as a director due to his long standing experience in intellectual property.

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William John Meekison, Director, Audit Committee, Compensation Committee

Mr. Meekison is a career Chief Financial Officer and former investment banker. He has spent the last fifteen years serving in a variety of executive management and CFO roles with both private and public companies, currently as the CFO and Director of Exro Technologies Inc. (since October 2017), a technology company that creates energy management system, and CFO and Director of ArcWest Exploration Inc. (since December 2010), a mining exploration company in British Columbia. He is currently on the board of directors of Pike Mountain Minerals Inc. (since July 2018) and Quest Pharmatech Inc. (since November 2017). Prior to his position at Exro Technologies Inc., Mr. Meekison spent fifteen years in corporate finance with a focus on raising equity capital for North American technology companies, including nine years at Haywood Securities Inc. Mr. Meekison received his Bachelor of Arts from the University of British Columbia and is a Chartered Professional Accountant, Professional Logistician and Certified Investment Manager. He is suited to serve as a director due to his long time experience as a CFO.

Richard Levychin, Director, Audit Committee Chair, Nominating and Governance Committee, Compensation Committee

Richard Levychin, CPA, CGMA, is a Partner in Galleros Robinson's Commercial Audit and Assurance practice where he focuses on both privately and publicly held companies. Prior to taking this position in October 2018, Richard was the managing partner of KBL, LLP, a PCAOB certified independent registered accounting firm, since 1994. Mr. Levychin has over 25 years of accounting, auditing, business advisory services and tax experience working with both privately owned and public entities in various industries including media, entertainment, real estate, manufacturing, not-for-profit, technology, retail, technology, and professional services. His experience also includes expertise with SEC filings, initial public offerings, and compliance with regulatory bodies. As a business adviser, he advises companies, helping them to identify and define their business and financial objectives, and then provides them with the on-going personal attention necessary to help them achieve their established goals. Mr. Levychin is well suited to serve on our Board due to his decades of experience as the managing partner of a PCAOB certified independent registered accounting firm, which included decades of expertise with SEC filings and initial public offerings.

Amy Griffith, Director, Audit Committee, Compensation Committee Chair, Nominating and Governance Committee

Amy Griffith, is Wells Fargo's State & Local Government Relations Senior Leader for the Keystone Region encompassing Pennsylvania, Delaware and West Virginia. She was recruited to Wells Fargo's Government Relations and Public Policy team in 2019. In this role, Griffith leads Wells Fargo's legislative and political agenda in her region and manages relationships with a state and local policymakers and community stakeholders. From 2008-2019, Griffith led government relations for sixteen states in the Eastern United States for TIAA for over a decade. Prior to that, she worked in the aerospace, high tech, education, private and public sectors, and has managed multiple high-profile political campaigns at the local, state and national level. Griffith is active in her community and has co-chaired The Baldwin School Golf Outing to raise funds for girls' athletics programs. She is a graduate of Gwynedd-Mercy College and holds a Bachelor of Arts in History. Ms. Griffith is well qualified to serve as a director due to her significant experience in government relations and politics and years of experience working with companies in both the private and public sectors.

Richard Wong, Chief Financial Officer

Mr. Wong, who works full time for the Company, has over 25 years of experience in both start-up and public companies in the consumer goods, agricultural goods, manufacturing, and forest industries. Prior to joining the Company in 2018, he was a partner in First Choice Capital Advisors from 2008-2016 and a partner in Lighthouse Advisors Ltd. from 2016-2018. Mr. Wong has also served as the CFO of Emerald Harvest Co., Dan-D Foods, Ltd., and was the Director of Finance and CFO of SUGOI Performance Apparel and had served positions at Canfor, Canadian Pacific & other Fortune 1000 companies. Mr. Wong is a Chartered Professional Accountant, and a member since 1999. Mr. Wong has a Diploma in Technology and Financial Management from the British Columbia Institute of Technology.

Troy McClellan, President AgriFORCE Solutions

Mr. McClellan, who works full time for the Company, has focused on innovative design and construction technologies throughout his career. Most recently, he was V.P. of Design and Development at WIGU City from 2015-2018, at which time he joined the Company. Mr. McClellan was the VP Design and Development of MGM Macau. Previously, he was a Project Manager at Wynn Design & Development and a Design Manager at Universal Studios (Japan). Mr. McClellan is a registered professional architect and received his Master's Degree in Architecture from Montana State University.

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Mauro Pennella, Chief Marketing Officer and President, AgriFORCE Brands

Mr. Pennella, who works full time for the Company, is a consumer products veteran with more than 30 years of experience in the consumer-packaged goods industry. From May 2018 until January 2021, he was Chief Growth & Sustainability Officer at McCain Foods, a Canadian multinational frozen food company. In that role, he was responsible for global marketing, sales, research and development (R&D) and sustainability. From October 2014 to April 2018, Mr. Pennella served as the President, International of Combe Incorporated, a personal care products company where he oversaw the international division, R&D and the internal advertising agency. He was also a member of the Executive Committee at Combe Incorporated, where he was responsible for the P&L - overseeing eight subsidiaries with more than 100 employees around the world. Prior to that, Mr. Pennella led the Retail and International businesses at Conagra's Lamb Weston division and developed his career at Diageo and Procter & Gamble. Mr. Pennella received a Master of Business from Audencia, a premier European business school, as well as an M.A.B.A. in Marketing and Finance from The Ohio State University Fisher College of Business.

Dr. Laila Benkrima, Chief Scientist

Dr. Benkrima, who consults part-time for the Company, holds a PhD from the University of Paris in horticulture with a specialization in tissue culture and the hybridization and selection of plant varieties. Her employment history includes Inflazyme Pharmaceuticals, the University of British Columbia, and Celex Laboratory.

Corporate Governance

The business and affairs of our Company are managed under the direction of the Board of Directors.

Term of Office

Directors serve until the next annual meeting and until their successors are elected and qualified. Officers are appointed to serve until the Company requires them to be replaced.

Director Independence

We use the definition of “independence” of The NASDAQ Stock Market to make this determination. We are not yet listed on NASDAQ, and although we use its definition of “independence,” its rules are inapplicable to us until such time as we become listed on NASDAQ. NASDAQ Listing Rule 5605(a)(2) provides that an “independent director” is a person other than an officer or employee of our Company or any other individual having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The NASDAQ rules provide that a director cannot be considered independent if:

- the director is, or at any time during the past three years was, an employee of our Company;
- the director or a family member of the director accepted any compensation from our Company in excess of \$120,000 during any period of 12 consecutive months within the three years preceding the independence determination (subject to certain exclusions, including, among other things, compensation for board or board committee service);
- a family member of the director is, or at any time during the past three years was, an executive officer of our Company;
- the director or a family member of the director is a partner in, controlling shareholder of, or an executive officer of an entity to which our Company made, or from which our Company received, payments in the current or any of the past three fiscal years that exceed 5% of the recipient’s consolidated gross revenue for that year or \$200,000, whichever is greater (subject to certain exclusions);
- the director or a family member of the director is employed as an executive officer of an entity where, at any time during the past three years, any of the executive officers of our Company served on the compensation committee of such other entity; or
- the director or a family member of the director is a current partner of our Company’s outside auditor, or at any time during the past three years was a partner or employee of our Company’s outside auditor, and who worked on our Company’s audit.

Under the following three NASDAQ director independence rules a director is not considered independent: (a) NASDAQ Rule 5605(a)(2)(A), a director is not considered to be independent if he or she also is an executive officer or employee of the corporation, (b) NASDAQ Rule 5605(a)(2)(B), a director is not considered independent if he or she accepted any compensation from our Company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, and (c) NASDAQ Rule 5605(a)(2)(D), a director is not considered to be independent if he or she is a partner in, or a controlling shareholder or an executive officer of, any organization to which our Company made, or from which our Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient’s consolidated gross revenues for that year, or \$200,000. Under such definitions, we have four independent directors.

Family Relationships

There are no family relationships among any of the directors and executive officers, with the exception of Donald Nicholson and Ingo Mueller, as Mr. Nicholson is the stepfather of the Mr. Mueller, although they do not live in the same household. Mr. Nicholson resigned as Chairman and Director of the Board effective September 24, 2021.

Board Committees

Our Board has established the following three standing committees: audit committee; compensation committee; and nominating and governance committee, or nominating committee. Our board of directors has adopted written charters for each of these committees. Copies of the charters will be available on our website. Our board of directors may establish other committees as it deems necessary or appropriate from time to time.

Audit Committee

Our Audit Committee is comprised of at least three individuals, each of whom are independent director and at least one of whom will be an “audit committee financial expert,” as defined in Item 407(d)(5)(ii) of Regulation S-K. Our audit committee is currently comprised of Richard Levychin, John Meekison and Amy Griffith, who are independent, and Mr. Levychin is our financial expert.

Our Audit Committee will oversee our corporate accounting, financial reporting practices and the audits of financial statements. For this purpose, the Audit Committee will have a charter (which will be reviewed annually) and perform several functions. The Audit Committee will:

- evaluate the independence and performance of, and assess the qualifications of, our independent auditor and engage such independent auditor;
- approve the plan and fees for the annual audit, quarterly reviews, tax and other audit-related services and approve in advance any non-audit service to be provided by our independent auditor;
- monitor the independence of our independent auditor and the rotation of partners of the independent auditor on our engagement team as required by law;
- review the financial statements to be included in our future Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q and review with management and our independent auditor the results of the annual audit and reviews of our quarterly financial statements; and
- oversee all aspects our systems of internal accounting control and corporate governance functions on behalf of the Board of Directors.

Our Compensation Committee comprises of at least three individuals, each of whom will be an independent director, Our Compensation committee is currently comprised of Amy Griffith (Chair), Richard Levychin and John Meekison and who are independent.

The Compensation Committee will review or recommend the compensation arrangements for our management and employees and also assist our Board of Directors in reviewing and approving matters such as company benefit and insurance plans, including monitoring the performance thereof. The Compensation Committee will have a charter (which will be reviewed annually) and perform several functions.

The Compensation Committee will have the authority to directly engage, at our expense, any compensation consultants or other advisers as it deems necessary to carry out its responsibilities in determining the amount and form of employee, executive and director compensation.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee is comprised of at least three individuals, each of whom will be an independent director. Currently Amy Griffith, Richard Levychin and David Welch are members of the committee.

The NC&G Committee is charged with the responsibility of reviewing our corporate governance policies and with proposing potential director nominees to the Board of Directors for consideration. This committee also has the authority to oversee the hiring of potential executive positions in our Company. The NC&G Committee also has a charter, which is to be reviewed annually.

Item 11. Executive Compensation

Name & Principal Position	Year	Salary	Bonus	Share-Based Awards	Option-Based Awards	All Other Compensation	Total Compensation
Ingo W. Mueller, Chief Executive Officer	2021	299,299	282,808	155,668	279,632	14,958	1,032,365
Richard S. Wong, Chief Financial Officer	2020	111,048	-	-	221,877	84,784	417,709
Troy T. McClellan, Vice President Design & Construction	2021	237,582	132,070	37,397	186,422	-	593,471
Mauro Pennella, Chief Marketing Officer, President AgriFORCE Brands	2020	173,919	-	-	-	-	173,919
	2021	206,280	80,774	35,456	167,778	-	490,288
	2020	149,363	-	-	99,261	-	248,624
	2021	128,841	-	55,179	85,693	-	269,713
	2020	-	-	-	-	-	-

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information known to us regarding the beneficial ownership of our common stock as of March 29, 2022 by:

- each person known to us to be the beneficial owner of more than 5% of our outstanding common stock;
- each of our executive officers and directors; and
- all of our executive officers and directors as a group.

	Common shares	Options Granted vested within 60 days of March 29, 2022	Warrants	Series A Preferred Shares	Total	Percentage beneficially owned
Directors and Officers:						
Ingo Mueller	964,625 ^a	123,086	-	-	1,087,711	7.1%
Richard Wong	81,217	46,976	-	-	128,193	0.8%
Troy McClellan	412,921	33,029	-	-	445,950	2.9%
Mauro Pennella	11,853	13,860	-	-	25,713	0.2%
Don Nicholson*	581,520 ^b	28,715	-	-	610,235	4.0%
John Meekison	43,208	16,310	-	-	59,518	0.4%
David Welch	52,450	12,928	-	-	65,378	0.4%
Amy Griffith	-	4,108	-	-	4,108	0.0%
Richard Levychin	-	4,108	-	-	4,108	0.0%
Total all officers and directors (9 persons)*	2,147,794	283,120	-	-	2,430,914	15.7%
5% or Greater Beneficial Owners						
Ingo Mueller	964,625 ^a	123,086	-	-	1,087,711	7.1%
Arni Johannson	823,615 ^c	-	-	-	823,615	5.4%
Canadian Nexus Team Ventures Corp	583,278	-	317,243	-	900,521	5.8%

*Mr. Nicholson resigned from the Board effective September 24, 2021.

(a) Includes (1) 92,030 common shares held by St. George Capital Corp. of which Mr. Mueller is the President, (2) 421,053 common shares held by 1071269 BC Ltd. of which Mr. Mueller is the sole owner, and (3) 31,579 common shares held by 1178196 BC Ltd. of which Mr. Mueller is an affiliate.

(b) Includes 437,290 common shares held by 0902550 BC Ltd. of which Mr. Nicholson is the sole owner.

(c) Includes 48,710 common shares held by Canadian Nexus Ventures Ltd. of which Mr. Johannson is the President.

Item 13. Certain Relationships and Related Transactions, and Director Independence

We have adopted a written related-person transactions policy that sets forth our policies and procedures regarding the identification, review, consideration and oversight of “related-party transactions.” For purposes of our policy only, and not for purposes of required disclosure, which will be all related party transactions, even if less than \$120,000, a “related-party transaction” is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which we and any “related party” are participants involving an amount that exceeds \$120,000.

Transactions involving compensation for services provided to us as an employee, consultant or director are not considered related-person transactions under this policy. A

related party is any executive officer, director or a holder of more than five percent of our common shares, including any of their immediate family members and any entity owned or controlled by such persons.

At present, we have appointed three independent directors to the Nominating and Corporate Governance Committee. As a result, our Chief Financial Officer, Richard Wong, must present information regarding a proposed related-party transaction to the Nominating and Corporate Governance Committee. Under the policy, where a transaction has been identified as a related-party transaction, Mr. Wong must present information regarding the proposed related-party transaction to our Nominating and Corporate Governance Committee, once the same is established, for review. The presentation must include a description of, among other things, the material facts, the direct and indirect interests of the related parties, the benefits of the transaction to us and whether any alternative transactions are available. To identify related-party transactions in advance, we rely on information supplied by our executive officers, directors and certain significant shareholders. In considering related-party transactions, our Nominating and Corporate Governance Committee takes into account the relevant available facts and circumstances including, but not limited to:

- whether the transaction was undertaken in the ordinary course of our business;
- whether the related party transaction was initiated by us or the related party;
- whether the transaction with the related party is proposed to be, or was, entered into on terms no less favorable to us than terms that could have been reached with an unrelated third party;
- the purpose of, and the potential benefits to us from the related party transaction;
- the approximate dollar value of the amount involved in the related party transaction, particularly as it relates to the related party;
- the related party's interest in the related party transaction, and
- any other information regarding the related party transaction or the related party that would be material to investors in light of the circumstances of the particular transaction.

The Nominating and Corporate Governance Committee shall then make a recommendation to the Board, which will determine whether or not to approve of the related party transaction, and if so, upon what terms and conditions. In the event a director has an interest in the proposed transaction, the director must recuse himself or herself from the deliberations and approval.

Except as set forth below, we have not had any related party transactions, regardless of dollar amount:

As of December 31, 2021, \$47,461 (December 31, 2020 - \$3,223) in total was owing to officers and directors or to companies owned by officers and directors of the Company for services and expenses. These amounts owing have been included in accounts payable and accrued liabilities.

During the year ended December 31, 2021 and 2020, the Company incurred \$66,246 and \$38,395, respectively, to our U.S. general counsel firm, D R Welch against legal services, a corporation controlled by a director of the Company. An aggregate of 13,158 shares (62,500 shares before the Reverse Split) were issued to David Welch as part of the payment.

During the year ended December 31, 2021 and December 31, 2020, the Company paid \$Nil and \$8,862, respectively, for consulting services to 0902550 BC Ltd. where Don Nicholson is the principal consultant.

On May 1, 2019, the Company entered into a 12 months consulting agreement with Arni Johansson to provide Investor Relations services for a monthly fee of CAD 10,000. As of December 31, 2020, the Company owed \$nil pursuant to the said agreement.

Item 14. Principal Accounting Fees and Services

Aggregate fees billed to us by Marcum LLP, the Company's principal independent accountants, during the last two fiscal years were as follows:

	December 31, 2021	December 31, 2020
Audit Fees	\$ 126,000	\$ 97,850
Audit – Related Fees	83,954	41,200
Tax Fees	-	-
All other Fees	-	-
	<u>\$ 209,954</u>	<u>\$ 139,050</u>

Audit Fees consist of fees billed for professional services rendered for the audit of our consolidated annual financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by our auditors in connection with statutory and regulatory filings or engagements.

Audit-Related Fees consist of services by our independent auditors that, including accounting consultations on transaction related matters including work related to our S-1 filings, are reasonably related to the performance of the audit or review of our financial statements and are not reported above under Audit Fees.

During the years ended December 31, 2021 and 2020, Marcum LLP did not incur fees for any other professional services.

PART IV

Item 15. Exhibits, Financial Statement Schedules

Financial Statements

The following Consolidated Financial Statements of the Company and the Report of Independent Registered Public Accounting Firm (PCAOB ID:688) included in Part II, Item 8:

Consolidated Balance Sheets as of December 31, 2021 and 2020

Consolidated Statements of Comprehensive Loss for the years ended December 31, 2021 and 2020

Financial Statement Schedules

All schedules have been omitted because they are not required or because the required information is given in the Consolidated Financial Statements or Notes thereto set forth under Item 8.

Exhibits

The exhibits listed below are filed or incorporated by reference as part of this Annual Report on Form 10-K.

Exhibit No.	Description
3.1	Articles of Incorporation and Bylaws of Issuer*
4.1	Form of Series A Warrant and Representatives Warrant****
4.2	Amended and Restated Stock Option Plan – Form of Stock Option Certificate attached as Schedule A*
4.3	Form of Broker Compensation Warrant Certificate for \$1.00 warrants issued to brokers in connection in May 2019 in connection with \$1.00 preferred unit financing*
10.1	Vacant Land Purchase Agreement, dated July 13, 2020, between Company and Coachella Properties, Inc.*
10.2	Capital Funding Group-Commercial Loan Terms Sheet - Re Coachella 3837v2*
10.3	Commercial Loan Agreement with Alterna Bank-2020-04-30*
10.4	Vacant Land Offer Extension of Time Addendum Coachella-IM Signed*
10.5	Employment Agreement - Ingo Mueller**
10.6	Employment Agreement - Richard Wong**
10.7	Employment Agreement - Troy McClellan**
10.8	Employment Agreement – Mauro Pennella **
10.9	Second Vacant Land Offer Extension of Time Addendum Coachella-IM Signed***
10.10	Warrant Agent Agreement***
10.11	Capital Funding Term Sheet dated February 5, 2021 ****
10.12	Extension of Land Purchase Agreement ****
10.13	Pharmhaus Termination Agreements *****
10.14	Bridge Loan Agreement dated March 24, 2021*****
10.15	Bridge Note, dated March 24, 2021*****
10.16	Bridge Warrant, dated March 24, 2021*****
10.17	Asset Purchase Agreement – Manna Nutritional Group**
10.18	Definitive Agreement with Humboldt Bliss, Ltd**
10.19	Share Purchase Agreement with Delphy Groep B.V. **
10.20	Binding LOI to Acquire Deroose Plants NV **
10.21	License Agreement with Radical Clean Solutions Ltd. **
14.1	Code of Ethics**
21.1	List of Subsidiaries**
23.1	Consent of Marcum, LLP**
31.1	Certification of Chief Executive Officer filed pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) of the Securities and Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
31.2	Certification of Chief Financial Officer filed pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) of the Securities and Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed with our Registration Statement on Form S-1 filed with the Commission on December 16, 2020

** Filed herewith

*** Filed with Amendment No. 1 to our Registration Statement on Form S-1 filed with the Commission on January 20, 2021.

**** Filed with Amendment No. 2 to our Registration Statement on Form S-1 filed with the Commission on March 3, 2021.

***** Filed with Amendment No. 3 to our Registration Statement on Form S-1 filed with the Commission on March 22, 2021.

***** Filed with Amendment No. 4 to our Registration Statement on Form S-1 filed with the Commission on June 3, 2021.

***** Filed with Amendment No. 5 to our Registration Statement on Form S-1 filed with the Commission on June 14, 2021.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AGRIFORCE GROWING SYSTEMS, LTD.

Date: March 29, 2022

By: /s/ Ingo Mueller

Name: Ingo Mueller

Title: Chief Executive Officer and Director (Principal Executive Officer)

Date: March 29, 2022

By: /s/ Richard Wong

Name: Richard Wong

Title: Chief Financial Officer (Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Ingo Mueller</u> Ingo Mueller	Chief Executive Officer, Chairman of the Board of Directors	March 29, 2022
<u>/s/ Richard Wong</u> Richard Wong	Chief Financial Officer	March 29, 2022
<u>/s/ John Meekison</u> John Meekison	Director	March 29, 2022
<u>/s/ Richard Levychin</u> Richard Levychin	Director	March 29, 2022
<u>/s/ Amy Griffith</u> Amy Griffith	Director	March 29, 2022
<u>/s/ David Welch</u> David Welch	Director	March 29, 2022



EXECUTIVE EMPLOYMENT AGREEMENT

Dated as of August 1, 2021

Between

AGRIFORCE GROWING SYSTEMS LTD.
(the "Company")

and

Ingo Mueller
(the "Executive")

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SCHEDULE A

EXECUTIVE EMPLOYMENT AGREEMENT

This Agreement is dated as of the **August 1, 2021** between

AGRIFORCE GROWING SYSTEMS LTD., a company incorporated pursuant to the laws of the Province of British Columbia, Canada with an address at #600, 777 Hornby Street, Vancouver, British Columbia V6Z 1S4

(the "**Company**")

and

Ingo Mueller with an address at 4407 Prospect Road, North Vancouver, British Columbia V7N 3L8

(the "**Executive**")

RECITALS

- A. The Company is in the business of as a company specializing in the delivery of products and services to the agricultural technology industry.
- B. The Executive is the **Chief Executive Officer** of the Company.
- C. The Company and the Executive wish to enter into this Agreement pursuant to which the Executive will be employed as the **Chief Executive Officer** of the Company on the terms and conditions set forth in this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSETH that, in consideration of the mutual covenants and provisos herein contained, **THE PARTIES AGREE AS FOLLOWS:**

ARTICLE 1—TERM

Section 1.1 Indefinite Term

The term of the Executive's employment by the Company under this Agreement is indefinite and has commenced on **August 1, 2021** and shall thereafter continue unless and until such employment is earlier terminated by either party as hereinafter provided. For purpose of this Agreement, the Effective Date is deemed to be **August 1, 2021**.

ARTICLE 2- TITLE, SERVICES, REPORTING AND DUTIES

Section 2.1 Title and Services

- (1) The Executive will continue to perform the duties and responsibilities normally and reasonably associated with the office of **Chief Executive Officer** which will include, without limitation, those services set out in Schedule "A" (collectively, the "**Services**").
- (2) The Executive's shall be employed to provide the Services on a full-time basis.

(3) The Executive agrees that the Executive's duties and responsibilities may be modified as mutually agreed to by the Parties, each acting reasonably.

(4) The Executive will report to the board of directors of the Company (the "**Board**"), and will undertake and perform the Services.

Section 2.2 Conditions

The Executive's employment under this Agreement is generally conditional upon the Executive maintaining any required regulatory approvals for his involvement as a public company officer with any stock exchange, securities commission or like authority; remaining a person of good repute; and, if applicable, maintaining, in good standing, his professional qualification.

Section 2.3 Subsidiaries

The Executive will perform the Services on behalf of the Company and its subsidiaries. Accordingly, in this Agreement, the term "**the Company**" means the Company and all of its subsidiaries.

*[In the event that the Company is acquired (either directly or through a series of transactions) by a publicly traded company (a "**Pubco**") in connection with a going public transaction (a "**Going Public Transaction**"), the Company will be deemed to include the Pubco or any successor organizations.]*

Section 2.4 Duties

(1) The Executive acknowledges that, as a senior officer of the Company, the Executive will owe a fiduciary duty to the Company.

(2) The Executive will also:

- (a) devote full-time effort and attention to the business and affairs of the Company;
- (b) perform the Services in a competent and efficient manner and in a manner consistent with the Executive's fiduciary obligations to the Company as an executive officer thereof and in compliance with all reasonable Company policies of which the Executive is made aware, and will carry out all lawful instructions and directions from time to time given to the Executive in relation to the performance of the Services;
- (c) use all commercially reasonable efforts to promote the interests and goodwill of the Company;
- (d) comply with all Company policies and codes of business ethics, as adopted by the Board from time to time, including the Company's confidentiality and insider trading policies;
- (e) not undertake any other business or occupation or become a director or officer, employee or agent of any other company, firm, society or person without prior written approval of the Board of Directors.

(3) The Executive warrants that the Executive shall perform the Services and conduct his other activities in a manner which is lawful and reputable and which is designed to bring good repute to the Company, the Company's business interests and the Executive. In particular, and in this regard, the Executive specifically agrees to provide the Services in a sound and professional manner consistent with

performance quality standards of the industry and otherwise in accordance with the terms of this Agreement. In the event that the Board of Directors has a reasonable concern that the Services as performed by the Executive are being conducted in a way contrary to law or are reasonably likely to bring disrepute to the business interests or to the Company's or the Executive's reputation, the Company may require that the Executive make such alterations in the Executive's activities, as the Board of Directors may reasonably require in its sole and absolute discretion to the extent necessary to address such reasonable concerns.

(4) The Executive will not knowingly breach, and will take all reasonable steps to inform himself about compliance with, all Canadian and foreign laws, whether federal, provincial or state, applicable to the Executive's respective duties and obligations hereunder. In particular, the Executive acknowledges the application of securities laws and his status as an "insider" as defined by such laws in connection with the trading in the Company's stock and dealing with its confidential information.

ARTICLE 3- PLACE OF EMPLOYMENT

Section 3.1 Vancouver Based

The Executive will provide Services based from the Company's Vancouver offices, but understands some travel may be necessary to where the Company currently or may in the future conduct business to the extent reasonably required to perform the Services.

ARTICLE 4- COMPENSATION AND BENEFITS

Section 4.1 Base Salary

The Executive shall receive an annual base salary of **C\$ 473,367** as it may be adjusted from time to time in accordance with this Agreement (the "**Base Salary**"). All such Base Salary will be due and payable by the Company to the Executive pro rata on a semi-monthly basis in arrears, net of applicable statutory deductions, in a manner consistent with the general payroll practice of the Company, or at such other time and in such other manner as the Executive and the Company may agree, from time to time.

Section 4.2 Increase in Base Salary

The Company will review, at least annually, the Base Salary payable to the Executive from time to time during the continuance of this Agreement. The Company may, in its discretion, increase (but not decrease) the Base Salary depending on the Executive's performance of the Services and having due regard to the financial circumstances of the Company.

Section 4.3 Shares

As part of the Executive's compensation, the Executive shall be issued a number of shares of the Company's common stock equal to **CDN\$468,313** annually; divided by the average volume weighted average price of the Company's common stock for the five trading days immediately preceding the date of issuance. Shares shall be issued on a quarterly basis, in arrears, on the last trading day of each calendar quarter.

As a condition of receiving the Compensation Shares, the Executive agrees to enter into any lock-up agreement or escrow agreement required or considered reasonably necessary by the Company to enable the Company to list its common shares on any stock exchange or public market, or to complete any future public or private offering of its securities. For the purposes of this Agreement, (i) a lock-up agreement includes, without limitation, an agreement between the Executive, the Company and any underwriter or agent in connection with a financing or listing including restrictions on resale of the Common Shares, and (ii) an escrow agreement includes, without limitation, an agreement between the Executive, the Company and any trustee or agent engaged by the Company to act as escrow agreement in connection with the listing of the Company's common shares and providing for the deposit of the Compensation Shares into escrow subject to an escrow release period. The Executive further acknowledges that (i) the Compensation Shares may be subject to restrictions on resale imposed under applicable securities rules, and (ii) the issuance of the Compensation Shares will be subject to stock exchange approval upon listing of the common shares of the Company. The Company will use commercially reasonable efforts to obtain such required stock exchange approvals.

Section 4.4 Increase in Shares

The Company will review, at least annually, the Shares payable to the Executive from time to time during the continuance of this Agreement. The Company may, in its discretion, increase (but not decrease) the Shares depending on the Executive's performance of the Services and having due regard to the financial circumstances of the Company.

Section 4.5 Performance Bonuses

The Executive may receive, but is not guaranteed, an annual cash bonus based of 30% of base salary at target and up to 100% of base salary on performance targets established by the Board from time to time (the "Bonus"), provided that the setting of performance targets and the grant of any Bonus is at the sole discretion of the Board.

Section 4.6 Stock Options

The Executive will be eligible to participate in the Company's stock option plan, as in effect from time to time, (the "Stock Option Plan"). All grants of stock options made to the Executive will be made in accordance with and subject to the terms of the Stock Option Plan (including after applicable blackout periods) and subject to approval of the Board and any stock exchange on which the Company's shares are traded. The grant of any stock options will be made at the discretion of the Board in accordance with the terms of the Stock Option Plan. The Executive acknowledges that the Board will be entitled to impose vesting conditions in connection with any grant of options. The Executive will be entitled to receive 15% of the new options to be allocated upon the exercise of the current granted options. These options shall be granted at the IPO price and within one week of the IPO. Based on current recommendations from management it is expected that the number of options to be granted to the Executive as of the effective date of this agreement, will be approximately 172,000 to be vested over 3 years.

Section 4.7 Signing Bonus

Effective as of the date of this Agreement, the Company will pay the Executive a signing bonus in the amount of **CDN\$68,750**.

Section 4.8 Group Insurance and Health Benefits

The Executive will be eligible to participate in, and the Company will pay the premiums in respect of, any group medical and dental insurance, health, extended health, life, long-term disability, and accidental death and dismemberment insurance and pension plans applicable to the executives of the Company from time to time (together, the “**Benefits**”). Entitlement to the Benefits under any plan shall be determined by the plan carrier in accordance with the terms and conditions of such plan.

Section 4.9 Payment of Compensation and Status as a Taxable Employee

It is hereby also acknowledged and agreed that the Executive will be classified as a taxable employee of the Company for all purposes, such that all compensation which is provided by the Company to the Executive under this Agreement, or otherwise, will be calculated and payable on a net basis for which all required statutory taxes will first be deducted by the Company and remitted on behalf of the Executive to all applicable taxation authorities in each instance.

ARTICLE 5- ANNUAL VACATION**Section 5.1 Period**

The Executive will be entitled to four (4) weeks of paid vacation during each calendar year, to be taken at a time or times that are approved by the Company, taking into account the operational requirements of the Company and the need for timely performances of the Services. The Executive will also generally be entitled to all statutory holidays, though the performance of the Services may require that the Executive work on such days, for which the Executive will not be compensated or given time in lieu thereof. Unused vacation may be carried over for up to twenty-four months after the completion of each fiscal year after which time it will be paid out.

ARTICLE 6- EXPENSES**Section 6.1 Reimbursement of Expenses**

The Company will reimburse the Executive for all pre-approved and reasonable travel (other than auto) and other out-of-pocket expenses incurred by the Executive directly related to the performance of the Services (collectively, the “**Expenses**”). The Executive will account for such Expenses in accordance with the policies and directions provided by the Company from time to time.

ARTICLE 7- TERMINATION**Section 7.1 Definitions**

In this Agreement:

- (a) “**Just Cause**” means any material breach of this agreement and any act, omission, behaviour, conduct or circumstance of the Executive that constitutes just cause for dismissal of the Executive at common law, including an act involving gross negligence, or wilful misconduct, commission or a felony, becoming bankrupt, or any material omission in the performance of Services, or the doing or condoning any unlawful or manifestly improper act; and

- (b) **"Change In Control"** means either: (i) a merger or acquisition in which the Company is not the surviving entity; except for a transaction the principal purpose of which is to change the incorporating jurisdiction of the Company; (ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company; or (iii) any other corporate reorganization or business combination in which 50% or more of the outstanding voting stock of the Company is transferred, or exchanged through merger, to different holders in a single transaction of the Company or in a series of related transactions completing within 12 months. For the purposes of this Agreement, "Change of Control" does not include a Going Public Transaction.
- (c) **"Constructive Dismissal"** includes, but shall not be limited to a demotion in either title or within the Company organizational structure or a change in the duties of the Executive, any changes in the fundamental terms of this Agreement without the consent of the Executive and to the detriment of the Executive.
- (d) **"Effective Date of Termination"** means the date on which this Agreement has been terminated in accordance with the terms set forth herein.

Section 7.2 Termination by the Company for Just Cause

- (1) The Company may terminate the employment of the Executive under this Agreement summarily, without any notice or any payment in lieu of notice, for Just Cause.
- (2) The Executive acknowledges that the Company's stock option plan provides for immediate termination of any unexercised Stock Option, even if vested, upon dismissal for Just Cause.

Section 7.3 Voluntary Termination by the Executive

The Executive may terminate the Executive's employment under this Agreement for any reason by providing not less than 30 calendar days' notice in writing to the Company; provided, however, that the Company may waive or abridge any notice period specified in such notice in its sole and absolute discretion.

Section 7.4 Death of the Executive

The employment of the Executive will terminate upon the death or determination of the permanent disability of the Executive which renders performance of the Services contemplated hereby impossible.

Section 7.5 No Payments in Certain Events

Upon either:

- (a) termination for Just Cause in accordance with Section 7.2 herein; or
- (b) by the voluntary termination of employment by the Executive in accordance with Section 7.3 herein,

the Executive will be entitled to compensation earned by the Executive before the Effective Date of Termination calculated pro rata up to and including the Effective Date of Termination, reimbursement of any outstanding expenses as of the Effective Date of Termination and any outstanding Vacation pay as of

the Effective Date of Termination but will not be entitled to any severance or other payments under this Agreement or otherwise.

Section 7.6 Payments in the Event of Termination by Company Without Just Cause

The Company will, if it elects for convenience to terminate the employment of the Executive, or if there is Constructive Dismissal of the Executive, provide the Executive with the following as soon as practicable following the Effective Date of Termination:

- (a) payment of the total of:
 - (i) severance in lieu of notice equal to twelve months of the then Base Salary only;
 - (ii) issuance of Compensation Shares as at the Effective Date of Termination, to the extent that such Compensation Shares have not been issued in full;
 - (iii) any cash bonus earned but not paid as at the Effective Date of Termination;
 - (iv) any outstanding Vacation pay as at the Effective Date of Termination; and
 - (v) any outstanding Expenses as at the Effective Date of Termination;
- (b) maintain the Executive's then Group Benefits for twelve months from the Effective Date of Termination;
- (c) subject to the Company's then stock option plan and the rules and policies of any regulatory authority and stock exchange having jurisdiction over the Company, allow for the Executive to then exercise any unexercised and fully vested portion of the Stock Option on the Effective Date of Termination at any time during 30 calendar days from the Effective Date of Termination.

Section 7.7 Payments in the Event of Termination upon a Change In Control

If at any time within 12 months after the occurrence of a Change of Control either (i) the Company terminates the Executive's employment without Just Cause, or (ii) the Executive terminates the Executive's employment as a result of a Constructive Dismissal, the Company will as soon as practicable following the Effective Date of Termination:

- (a) pay the total of:
 - (i) severance in lieu of notice equal to twelve months of the then Base Salary only;
 - (ii) issuance of Compensation Shares as at the Effective Date of Termination, to the extent that such Compensation Shares have not been issued in full;
 - (iii) any cash bonus earned but not paid as at the Effective Date of Termination;
 - (iv) any outstanding Vacation pay as at the Effective Date of Termination; and
 - (v) any outstanding Expenses as at the Effective Date of Termination;

- (b) maintain the Executive's then Group Benefits for a period of twelve months from the Effective Date of Termination;
- (c) subject to the Company's then stock option plan and the rules and policies of any regulatory authority and stock exchange having jurisdiction over the Company, allow for the Executive to then exercise any unexercised and fully vested portion of the Stock Option on the Effective Date of Termination at any time during 90 calendar days from the Effective Date of Termination.

Section 7.8 Executive to Provide Release and Resignation

As of the Effective Date of Termination and so soon thereafter as practicable and as a condition of receiving payments provided for under this Agreement upon termination, the Executive will execute and deliver to the Company a full and final release of the Company, in the form which shall be in a the form mutually agreed upon within 15 days of the Effective Date of this Agreement, in respect of the Executive's employment under this Agreement and otherwise against payments of amounts due the Executive hereunder. The Executive will concurrently provide a written resignation from any office held in the Company or any affiliate as of Effective Date of Termination.

Section 7.9 Manner of Payment

The Company shall may, pay the amounts referred to in Section 7.5, Section 7.6 and Section 7.7 herein in a lump sum payment within fourteen business days after receipt by the Company of the executed full and final release referred to in Section 7.8 herein.

Section 7.10 Return of Assets and Documents

All documents and materials in any form or medium and including, but not limited to, files, forms, brochures, books, correspondence, memoranda, manuals and lists (including lists of customers, suppliers, products and prices), all equipment and accessories and again including, but not being limited to, leased automobiles, computers, computer disks, software products, cellular phones and personal digital assistants, all keys, building access cards, parking passes, credit cards, and other similar items pertaining to the business of the Company that may come into the possession or control of the Executive, will at all times remain the property of the Company and, on termination of the Executive's employment for any reason, the Executive will promptly deliver to the Company all property of the Company in the possession of the Executive or directly or indirectly under the control of the Executive, and will not reproduce or copy any such property or other property of the Company.

ARTICLE 8- CONFIDENTIALITY**Section 8.1 Confidential Information**

- (1) The Executive acknowledges that:
- (a) the Executive may, during the course of employment with the Company, acquire information which is confidential in nature or of great value to the Company and its subsidiaries including, without limitation, matters or subjects concerning its business plan, corporate assets, cost and pricing data, customer listing, financial reports, formulae, inventions, know-how, marketing strategies, products or devices, research and development projects and findings, computer programs, suppliers, and trade secrets, whether in the form of records, files, correspondence, notes, data, information, or any other form, including copies or excerpts thereof (collectively, the "**Confidential Information**"); the disclosure of any of which to competitors, customers, clients or suppliers of the Company, unauthorized personnel of the Company or to third parties would be highly detrimental to the best interests of the Company; and
 - (b) the right to maintain the confidentiality of Confidential Information, and the right to preserve the Company's goodwill, constitute proprietary rights which the Company is entitled to protect.
- (2) The Executive will, while employed with the Company and at all times thereafter:
- (a) hold all Confidential Information that the Executive receives in trust for the sole benefit of the Company and in strictest confidence;
 - (b) protect all Confidential Information from disclosure and will not take any action that could reasonably be expected to result in any Confidential Information losing its character as Confidential Information, and will take all reasonable lawful action necessary to prevent any Confidential Information from losing its status as Confidential Information; and
 - (c) neither, except as required in the course of performing duties and responsibilities under this Agreement, directly or indirectly use, publish, disseminate or otherwise disclose any Confidential Information to any unauthorized personnel of the Company or to any third party, nor use Confidential Information for any purpose other than the purposes of the Company, without the prior written consent of the Company, which consent may be withheld in the Company's sole and absolute discretion.
- (3) The restrictions on the Executive's use or disclosure of all Company Information, as set forth in this Article 8, shall continue following the expiration or termination of the Executive's employment with the Company regardless of the reasons for or manner of such termination.
- (4) Notwithstanding Section 8.1(2) herein, the Executive may, if and solely to the extent required by lawful subpoena or other lawful process, disclose Confidential Information but, to the extent possible, shall first notify the Company of each such requirement so that the Company may seek an appropriate protective order or waive compliance with the provisions of this Agreement. The Executive will cooperate fully with the Company at the expense of the Company in seeking any such protective order.

(5) The Executive acknowledges that the Company is a reporting company within the meaning of the federal securities laws and regulations of the United States and that it is bound by all such laws and regulations as they pertain to the executives of such companies, including all restrictions on insider trading, and that it may not trade in the securities of the Company without complete compliance with all such laws and regulations and policies of the Company, including the duty to pre clear any such trades with the Company's counsel, and only during periods in which the Company has opened a trading window for executives. In addition, the Executive will agree to be bound by all codes of ethics and business conduct and policies governing disclosure of confidential information, trading in securities and other matters adopted from time-to-time by the Company and generally applicable to executives of the Company.

ARTICLE 9- NON-COMPETITION AND NON-SOLICITATION

Section 9.1 Non-Competition and Payments for Enforcement by the Company during Restricted Period

(1) The Executive acknowledges that the Executive's Services under this Agreement are of special, unique and extraordinary character which give the Executive value to the Company; the loss of which cannot adequately be compensated in damages or by an action at law. In addition to, and not in limitation of any other restrictive covenant which may be binding on the Executive, the Executive shall not anywhere in Canada, for a period equal to the length of time determined by severance in lieu of notice, after the termination of this Agreement (the "**Restricted Period**" herein) for any reason in any manner whatsoever:

- (a) carry on, engage in, or be concerned with or interested in; or
- (b) permit the Executive's name or any part thereof to in any manner whatsoever to be used or connected with any business that is, or any interest in any business that is,

or involves to any material degree, a business competitive to the business of the Company.

(2) The Executive agrees that:

- (a) all restrictions contained in Section 9.1 herein are reasonable and valid in the circumstances and all defences to the strict enforcement thereof by the Company are hereby waived by the Executive;
- (b) the remedy available to the Company at law for any breach by him of Section 9.1 herein will be inadequate and that the Company, on any application to a Court, shall be entitled to temporary and permanent injunctive relief against the Executive without the necessity of proving actual damage to the Company; and
- (c) if the foregoing covenant is found to be unreasonable to any extent by a court of competent jurisdiction adjudicating upon the validity of the covenant, whether as to the scope of the restriction, the area of the restriction or the duration of the restriction, then such restriction shall be reduced to that which is in fact declared reasonable by such court, or a subsequent court of competent jurisdiction, requested to make such a declaration.

Section 9.2 Non-Solicitation

The Executive hereby agrees that the Executive will not, during the period commencing on the Effective Date hereof and ending one year following the termination or expiration of this Agreement for any reason, be a party to or abet any solicitation of employees, customers, clients, referral services,

consultants or suppliers of the Company or any of its subsidiaries, to transfer business from the Company or any of its subsidiaries to any other person, or seek in any way to persuade or entice any employee of the Company or any of its subsidiaries to leave that employment or to be a party to or abet any such action.

ARTICLE 10- OWNERSHIP OF INTELLECTUAL PROPERTY

Section 10.1 Definitions

In this Agreement, “**Inventions**” means, collectively, all:

- (a) discoveries, inventions, ideas, suggestions, reports, documents, designs, technology, methodologies, compilations, concepts, procedures, processes, products, protocols, treatments, methods, tests, improvements, work product and computer programs (including all source code, object code, compilers, libraries and developer tools, and any manuals, descriptions, data files, resource files and other such materials relating thereto) (collectively the “**Materials**”), and
- (b) each and every part of the foregoing,

that are conceived, developed, reduced to practice or otherwise made by the Executive either alone or with others or, in any way, relate to the present or proposed programs, services, products or business of the Company, or to tasks assigned to the Executive in connection with the Executive’s duties or in connection with any research or development carried on or planned by the Company, whether or not such Inventions are conceived, developed, reduced to practice or otherwise made during the Executive’s employment or during regular working hours and whether or not the Executive is specifically instructed to conceive, develop, reduce to practice or otherwise make same.

Section 10.2 Exclusive Property

The Executive agrees that all Inventions, and any and all services and products which embody, emulate or employ any such Invention, shall be the sole property of the Company and all copyrights, patents, patent rights, trademarks, service marks, reproduction rights and all other proprietary title, rights and interest in and to each such Invention, whether or not registrable (collectively, the “**Intellectual Property Rights**”), shall belong exclusively to the Company.

Section 10.3 Work for Hire

For purposes of all applicable copyright laws to the extent, if any, that such laws are applicable to any such Invention or any such service or product, it shall be considered a work made for hire and the Company shall be considered the author thereof, including without limitation under the pertinent laws and regulations of the United States, including but not limited to all provisions of Title 17 of the United States Code, as amended from time to time.

Section 10.4 Disclosure

The Executive will promptly disclose to the Company, or any persons designated by it, all Inventions and all such services or products.

Section 10.5 Assignment

The Executive hereby assigns and further agrees to, from time to time as such Inventions arise, assign to the Company or its nominee (or their respective successors or assigns) all of the Executive's right, title and interest in and to the Inventions and the Intellectual Property Rights without further payment by the Company.

Section 10.6 Moral Rights

The Executive hereby waives and further agrees to, from time to time as such Inventions arise, waive for the benefit of the Company and its successors or assigns all the Executive's moral rights in respect of the Inventions.

Section 10.7 Further Assistance

The Executive agrees to assist the Company in every proper way (but at the Company's expense) to obtain and, from time to time, at the Company's expense, enforce the Intellectual Property Rights and to the Inventions in any and all countries, and to that end will execute all documents for use in applying for, obtaining and enforcing the Intellectual Property Rights in and to such Inventions as the Company may desire, together with any assignments of such Inventions to the Company or persons designated by it. The Executive's obligation to assist the Company in obtaining and enforcing such Intellectual Property Rights in any and all countries shall continue beyond the termination of this Agreement.

Section 10.8 Representations and Warranties

The Executive hereby represents and warrants that as of the Effective Date of this Agreement and during the term of this Agreement, the Executive is subject to no contractual or other restriction or obligation that will in any manner limit the Executive's obligations under this Agreement or activities on behalf of the Company. The Executive hereby represents and warrants to the Company that the Executive has no continuing obligations to any person (a) with respect to any Invention or (b) that require the Executive not to disclose the same.

ARTICLE 11- OTHER PROVISIONS**Section 11.1 Waivers and Amendments**

This Agreement may be amended, modified, superseded, cancelled, renewed or extended, only by a written agreement between the Parties. Failure or delay by either Party to enforce compliance with any term or condition of this Agreement shall not constitute a waiver of such term or condition.

Section 11.2 Entire Agreement

This Agreement constitutes the entire understanding and agreement of the parties hereto concerning the subject matter hereof, and supersede all prior or contemporaneous written or oral understandings or agreements of the parties, and there are no other agreements or understandings between the parties.

Section 11.3 No Representation or Claims

The Executive agrees that the Executive has not been induced to enter into this Agreement by reason of any statement, representation, understanding or promise not expressly set out in this

Agreement. The Executive has no claim against the Company arising from any Services provided by the Executive to the Company in any capacity prior to the effective date of this Agreement.

Section 11.4 Governing Law

The situs of this Agreement is Vancouver, British Columbia, Canada, and for all purposes this Agreement will be governed exclusively by and construed and enforced in accordance with the laws prevailing in the Province of British Columbia, Canada, and the federal laws of Canada applicable thereto. Notwithstanding the foregoing, any matters appurtenant hereto which are covered by United States securities and/or intellectual property laws shall be governed by and construed and enforced in accordance therewith. Each of the Executive and the Company hereby irrevocably attorns and submits to the exclusive jurisdiction of the courts of the Province of British Columbia, Canada with respect to any dispute related to this Agreement.

Section 11.5 Notices

Any notice or other communication or writing required or permitted to be given under this Agreement or for the purposes of this Agreement will be in writing and will be sufficiently given if delivered personally, or if feasible transmitted by facsimile transmission (with original to follow by mail) or other form of recorded communication, tested prior to transmission, to:

(a) if to the Company:

AgriFORCE Growing Systems Ltd.
Suite 600
777 Hornby Street
Vancouver, BC V6Z 1S4
Attention: Richard Wong, CFO

E-mail: rwong@agriforcegs.com

(b) if to the Executive:

Ingo Mueller
4407 Prospect Road
North Vancouver, BC V7N 3L8

E-mail: imueller@capitalfusiongroup.com

or to such other address as the Party to whom such notice is to be given will have last notified the Party giving the same in the manner provided in this section. Any notice so delivered will be deemed to have been given and received on the day it is so delivered at such address; provided that such day is not a Business Day (as herein defined) then the notice will be deemed to have been given and received on the Business Day next following the day it is so delivered. Any notice so transmitted by facsimile transmission, email or other form of recorded communication will be deemed to have been given and received on the day of its confirmed transmission (as confirmed by the transmitting medium), provided that if such day is not a Business Day then the notice will be deemed to have been given and received on the Business Day next following such day. "Business Day" means any day that is not a Saturday, Sunday or civic or statutory holiday in the Province of British Columbia, Canada.

Section 11.6 Assignment

The Executive may not assign this Agreement or any right or obligation under it.

Section 11.7 Survival

The obligations of Article 7, Article 8, Article 9, and Article 10 shall survive the termination of this Agreement.

Section 11.8 Severability

If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof shall continue in full force and effect. The Parties agree to negotiate in good faith to agree to a substitute provision which shall be as close as possible to the intention of any invalid or unenforceable provision as may be valid or enforceable.

Section 11.9 Independent Legal Advice

The Executive acknowledges that the Company has recommended that the Executive obtain independent legal advice with respect to this Agreement, and that the Executive has had a reasonable opportunity to do so prior to executing this Agreement.

Section 11.10 Enurement

This Agreement will enure to the benefit of and will be binding upon the Parties and their respective heirs, executors, administrators and assigns.

Section 11.11 Further Assurances

The Parties will from time to time after the execution of this Agreement make, do, execute or cause or permit to be made, done or executed, all such further and other acts, deeds, things, devices and assurances in law whatsoever as may be required to give full force and effect to this Agreement.

Section 11.12 Personal Information

The Executive acknowledges that the Company is obligated to comply with the British Columbia Personal Information Protection Act and with any other applicable legislation governing the collection, use, storage and disclosure of personal information. The Executive agrees to comply with all Company personal information protection policies and with other policies, controls and practices as they may exist, from time to time, in seeking to ensure that the Executive and the Company engage only in lawful collection, storage, use and disclosure of personal information. The Executive acknowledges that the Executive may be required by the Company to complete a personal information form for NASDAQ and have it notarized and delivered to NASDAQ.

Section 11.13 Captions

The headings, captions, article, section and subsection numbers appearing in this Agreement are inserted for convenience of reference only and shall in no way define, limit, construe or describe the scope or intent of this Agreement nor in any way affect this Agreement.

Section 11.14 Counterparts

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF the Parties have executed this agreement as of the date inserted on page one with intended effect from the Effective Date.

AGRIFORCE GROWING SYSTEMS LTD.

By: Amy Griffith
Name: Amy Griffith
Title: Director, Chair Compensation Committee

Signed, Sealed and Delivered by Ingo Mueller)	
in the presence of:)	
<u>Richard Wong</u>)	
Witness (Signature))	
<u>Richard Wong</u>)	<u>Ingo Mueller</u>
Name (please print))	Ingo Mueller
<u>2627 Kitchener St.</u>)	
Address)	
<u>Vancouver, B.C.</u>)	
City, Province)	
<u>Chartered Professional Accountant</u>)	
Occupation)	
<u>Chartered Professional Accountant</u>)	

APPENDIX A

The Chief Executive Officer in partnership with the Board, is responsible for the success of the organization, making high-level decisions about the Company's policies and strategy. Together, the Board and CEO assure the accomplishment of the Company's vision and mission, and the accountability of the Company to its stakeholders and shareholders. The Board delegates responsibility for management and day-to-day operations to the CEO, and s/he has the authority to carry out these responsibilities, in accordance with the direction and policies established by the Board. The CEO provides inspired leadership, as well as direction, supporting and enabling the Board to carry out its governance functions.

1. REPORTING LINES:

Reports directly to: Board of Directors

Direct subordinates: Department heads (C, VP and Director level)

2. MAIN DUTIES:

1. Legal compliance: Assures the filing of all legal and regulatory documents and monitors compliance with relevant laws and regulations.

2. Strategic Direction: In conjunction with the Board determines the Company's mission, vision and values in conjunction with establishing, adjusting and achieving short- and long-term goals. Reports to the Board on the Company's effectiveness and results. Keeps the Board fully informed on the financial condition of the Company and on all the important factors influencing it. Identifies problems, opportunities and key risks and addresses them; brings those which are appropriate to the Board and/or its committees; and, facilitates discussion and deliberation. Informs the Board and its committees about trends, issues, problems and Company activities in order to facilitate policy-making. Develops and implements policies and a strategic plan whilst establishing and ensuring a positive corporate culture.

3. Management and administration: Provides general oversight of all Company activities, manages the day-to-day operations, and assures a smoothly functioning, efficient organization with a well articulated chain of command.

Assures organizational stability through development and implementation of standards and controls, systems and procedures, and regular evaluation. Assures a work environment that recruits, retains and supports quality staff, contractors and business partners; promoting and environment which promotes great performance and positive morale in line with corporate culture. Specifies accountabilities for management personnel (staff or contractors) and evaluates performance regularly through KPI's.

4. Long Term Profitability and Shareholder Returns: Aligns Company vision and strategy to maximize shareholder returns. Serves as the company's chief spokesperson in articulating the Company's value proposition to both existing and potential shareholders/investors. Considers achieving financial goals for the Company through both organic growth and mergers and acquisitions.

5. Governance: Helps the Board articulate its own role and accountabilities and that of its committees and individual members, and helps evaluate performance regularly. Works with the Chairman of the Board, to enable the Board to fulfill its governance functions and facilitates the optimum performance by the Board, its committees and individual Board members. With the Chairman of the Board, focuses Board attention on long-range strategic issues. Manages the Board's due diligence process to assure timely attention to core issues. Works with the Board and committee chairs to get the best thinking and involvement of each Board member and to stimulate each Board member to give his or her best. Recommends individuals to participate in the Board and its committees.

6. Financing: Assures that the fiscal activities of the organization including budgeting, reporting and audit are carried out. Works with Board to ensure financing to support short- and long-term goals. Assures an effective funding development program by working with the Chief Financial Officer and Board to ensure long term business development. Helps the Board design, implement and monitor a viable fundraising plan which delivers the Company its needed funding resources with the best possible cost of capital and alignment with interests of its stakeholders and shareholders. Participates actively in identifying, cultivating and soliciting investment prospects.

7. Sustainability and Community relations: Serves as chief spokesperson for the Company, assuring proper representation of the Company's vision and values to the community in which it operates. Initiates, develops, and maintains alliances and cooperative relationships with other organizations. Works with legislators and regulatory agencies. At all times the CEO shall ensure that the Company is a net positive contributor to the communities it works in or serves; understanding their needs and motivations in an open and transparent win-win relationship whilst serving the best interests of the Company's stakeholders and shareholders.



EXECUTIVE EMPLOYMENT AGREEMENT

Dated as of 1st of August 2021

Between

AGRIFORCE GROWING SYSTEMS LTD.
(the "Company")

and

Richard Wong
(the "Executive")

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SCHEDULE A

EXECUTIVE EMPLOYMENT AGREEMENT

This Agreement is dated as of the **August 1, 2021** between

AGRIFORCE GROWING SYSTEMS LTD., a company incorporated pursuant to the laws of the Province of British Columbia, Canada with an address at #600, 777 Hornby Street, Vancouver, British Columbia V6Z 1S4

(the "**Company**")

and

Richard Wong with an address at 2627 Kitchener St., Vancouver, BC V5K 3C9

(the "**Executive**")

RECITALS

A. The Company is in the business of as a company specializing in the delivery of products and services to the agricultural technology industry.

B. The Executive is the **Chief Financial Officer** of the Company.

C. The Company and the Executive wish to enter into this Agreement pursuant to which the Executive will be employed as the **Chief Financial Officer** of the Company on the terms and conditions set forth in this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSETH that, in consideration of the mutual covenants and provisos herein contained, **THE PARTIES AGREE AS FOLLOWS:**

Article 1 –TERM

Section 1.1 Indefinite Term

The term of the Executive's employment by the Company under this Agreement is indefinite and has commenced on **August 1, 2021** and shall thereafter continue unless and until such employment is earlier terminated by either party as hereinafter provided. For purpose of this Agreement, the Effective Date is deemed to be **August 1, 2021**.

Article 2 TITLE, SERVICES, REPORTING AND DUTIES

Section 2.1 Title and Services

(1) The Executive will continue to perform the duties and responsibilities normally and reasonably

associated with the office of **Chief Financial Officer** which will include, without limitation, those services set out in Schedule "A" (collectively, the "**Services**").

- (2) The Executive's shall be employed to provide the Services on a full-time basis.
- (3) The Executive agrees that the Executive's duties and responsibilities may be modified as mutually agreed to by the Parties, each acting reasonably.
- (4) The Executive will report to the board of directors of the Company (the "**Board**"), and will undertake and perform the Services.

Section 2.2 Conditions

The Executive's employment under this Agreement is generally conditional upon the Executive maintaining any required regulatory approvals for his involvement as a public company officer with any stock exchange, securities commission or like authority; remaining a person of good repute; and, if applicable, maintaining, in good standing, his professional qualification.

Section 2.3 Subsidiaries

The Executive will perform the Services on behalf of the Company and its subsidiaries. Accordingly, in this Agreement, the term "**the Company**" means the Company and all of its subsidiaries.

*[In the event that the Company is acquired (either directly or through a series of transactions) by a publicly traded company (a "**Pubco**") in connection with a going public transaction (a "**Going Public Transaction**"), the Company will be deemed to include the Pubco or any successor organizations.]*

Section 2.4 Duties

- (1) The Executive acknowledges that, as a senior officer of the Company, the Executive will owe a fiduciary duty to the Company.
- (2) The Executive will also:
 - (a) devote full-time effort and attention to the business and affairs of the Company;
 - (b) perform the Services in a competent and efficient manner and in a manner consistent with the Executive's fiduciary obligations to the Company as an executive officer thereof and in compliance with all reasonable Company policies of which the Executive is made aware, and will carry out all lawful instructions and directions from time to time given to the Executive in relation to the performance of the Services;
 - (c) use all commercially reasonable efforts to promote the interests and goodwill of the Company;

- (d) comply with all Company policies and codes of business ethics, as adopted by the Board from time to time, including the Company's confidentiality and insider trading policies;
- (e) not undertake any other business or occupation or become a director or officer, employee or agent of any other company, firm, society or person without prior written approval of the Board of Directors.

(3) The Executive warrants that the Executive shall perform the Services and conduct his other activities in a manner which is lawful and reputable and which is designed to bring good repute to the Company, the Company's business interests and the Executive. In particular, and in this regard, the Executive specifically agrees to provide the Services in a sound and professional manner consistent with performance quality standards of the industry and otherwise in accordance with the terms of this Agreement. In the event that the Board of Directors has a reasonable concern that the Services as performed by the Executive are being conducted in a way contrary to law or are reasonably likely to bring disrepute to the business interests or to the Company's or the Executive's reputation, the Company may require that the Executive make such alterations in the Executive's activities, as the Board of Directors may reasonably require in its sole and absolute discretion to the extent necessary to address such reasonable concerns.

(4) The Executive will not knowingly breach, and will take all reasonable steps to inform himself about compliance with, all Canadian and foreign laws, whether federal, provincial or state, applicable to the Executive's respective duties and obligations hereunder. In particular, the Executive acknowledges the application of securities laws and his status as an "insider" as defined by such laws in connection with the trading in the Company's stock and dealing with its confidential information.

Article 3 PLACE OF EMPLOYMENT

Section 3.1 Vancouver Based

The Executive will provide Services based from the Company's Vancouver offices, but understands some travel may be necessary to where the Company currently or may in the future conduct business to the extent reasonably required to perform the Services.

Article 4 COMPENSATION AND BENEFITS

Section 4.1 Base Salary

The Executive shall receive an annual base salary of **C\$339,406** as it may be adjusted from time to time in accordance with this Agreement (the "**Base Salary**"). All such Base Salary will be due and payable by the Company to the Executive pro rata on a semi-monthly basis in arrears, net of applicable statutory deductions, in a manner consistent with the general payroll practice of the Company, or at such other time and in such other manner as the Executive and the Company may agree, from time to time.

Section 4.2 Increase in Base Salary

The Company will review, at least annually, the Base Salary payable to the Executive from time to time during the continuance of this Agreement. The Company may, in its discretion, increase (but not decrease) the Base Salary depending on the Executive's performance of the Services and having due regard to the financial circumstances of the Company.

Section 4.3 Shares

As part of the Executive's compensation, the Executive shall be issued a number of shares of the Company's common stock equal to **\$112,505** annually; divided by the average volume weighted average price of the Company's common stock for the five trading days immediately preceding the date of issuance. Shares shall be issued on a quarterly basis, in arrears, on the last trading day of each calendar quarter.

As a condition of receiving the Compensation Shares, the Executive agrees to enter into any lock-up agreement or escrow agreement required or considered reasonably necessary by the Company to enable the Company to list its common shares on any stock exchange or public market, or to complete any future public or private offering of its securities. For the purposes of this Agreement, (i) a lock-up agreement includes, without limitation, an agreement between the Executive, the Company and any underwriter or agent in connection with a financing or listing including restrictions on resale of the Common Shares, and (ii) an escrow agreement includes, without limitation, an agreement between the Executive, the Company and any trustee or agent engaged by the Company to act as escrow agreement in connection with the listing of the Company's common shares and providing for the deposit of the Compensation Shares into escrow subject to an escrow release period. The Executive further acknowledges that (i) the Compensation Shares may be subject to restrictions on resale imposed under applicable securities rules, and (ii) the issuance of the Compensation Shares will be subject to stock exchange approval upon listing of the common shares of the Company. The Company will use commercially reasonable efforts to obtain such required stock exchange approvals.

Section 4.4 Increase in Shares

The Company will review, at least annually, the Shares payable to the Executive from time to time during the continuance of this Agreement. The Company may, in its discretion, increase (but not decrease) the Shares depending on the Executive's performance of the Services and having due regard to the financial circumstances of the Company.

Section 4.5 Performance Bonuses

The Executive may receive, but is not guaranteed, an annual cash bonus of 30% of base salary at target and up to 100% of base salary based on performance targets established by the Board from time to time (the "**Bonus**"), provided that the setting of performance targets and the grant of any Bonus is at the sole discretion of the Board.

Section 4.6 Stock Options

The Executive will be eligible to participate in the Company's stock option plan, as in effect from time to time, (the "**Stock Option Plan**"). All grants of stock options made to the Executive will be made in accordance with and subject to the terms of the Stock Option Plan (including after applicable blackout periods) and subject to approval of the Board and any stock exchange on which the Company's shares are traded. The grant of any stock options will be made at the discretion of the Board in accordance with the terms of the Stock Option Plan. The Executive acknowledges that the Board will be entitled to impose vesting conditions in connection with any grant of options. The Executive will be entitled to receive 10% of the new options to be allocated upon the exercise of the current granted options. These options shall be granted at the IPO price and within one week of the IPO. Based on current recommendations from management it is expected that the number of options to be granted to the Executive as of the effective date of this agreement, will be approximately 114,000 to be vested over 3 years.

Section 4.7 Group Insurance and Health Benefits

The Executive will be eligible to participate in, and the Company will pay the premiums in respect of, any group medical and dental insurance, health, extended health, life, long-term disability, and accidental death and dismemberment insurance and pension plans applicable to the executives of the Company from time to time (together, the "**Benefits**"). Entitlement to the Benefits under any plan shall be determined by the plan carrier in accordance with the terms and conditions of such plan.

Section 4.8 Payment of Compensation and Status as a Taxable Employee

It is hereby also acknowledged and agreed that the Executive will be classified as a taxable employee of the Company for all purposes, such that all compensation which is provided by the Company to the Executive under this Agreement, or otherwise, will be calculated and payable on a net basis for which all required statutory taxes will first be deducted by the Company and remitted on behalf of the Executive to all applicable taxation authorities in each instance.

Article 5 ANNUAL VACATION

Section 5.1 Period

The Executive will be entitled to four (4) weeks of paid vacation during each calendar year, to be taken at a time or times that are approved by the Company, taking into account the operational requirements of the Company and the need for timely performances of the Services. The Executive will also generally be entitled to all statutory holidays, though the performance of the Services may require that the Executive work on such days, for which the Executive will not be compensated or given time in lieu thereof. Unused vacation may be carried over for up to twenty-four months after the completion of each fiscal year after which time it will be paid out.

Article 6 EXPENSES

Section 6.1 Reimbursement of Expenses

The Company will reimburse the Executive for all pre-approved and reasonable travel (other than auto) and other out-of-pocket expenses incurred by the Executive directly related to the performance of the Services (collectively, the “**Expenses**”). The Executive will account for such Expenses in accordance with the policies and directions provided by the Company from time to time.

Article 7 TERMINATION

Section 7.1 Definitions

In this Agreement:

- (a) “**Just Cause**” means any material breach of this agreement and any act, omission, behaviour, conduct or circumstance of the Executive that constitutes just cause for dismissal of the Executive at common law, including an act involving gross negligence, or wilful misconduct, commission or a felony, becoming bankrupt, or any material omission in the performance of Services, or the doing or condoning any unlawful or manifestly improper act; and
- (b) “**Change In Control**” means either: (i) a merger or acquisition in which the Company is not the surviving entity; except for a transaction the principal purpose of which is to change the incorporating jurisdiction of the Company; (ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company; or (iii) any other corporate reorganization or business combination in which 50% or more of the outstanding voting stock of the Company is transferred, or exchanged through merger, to different holders in a single transaction of the Company or in a series of related transactions completing within 12 months. For the purposes of this Agreement, Change of Control” does not include a Going Public Transaction.
- (c) “**Constructive Dismissal**” includes, but shall not be limited to a demotion in either title or within the Company organizational structure or a change in the duties of the Executive, any changes in the fundamental terms of this Agreement without the consent of the Executive and to the detriment of the Executive.
- (d) “**Effective Date of Termination**” means the date on which this Agreement has been terminated in accordance with the terms set forth herein.

Section 7.2 Termination by the Company for Just Cause

- (1) The Company may terminate the employment of the Executive under this Agreement summarily,

without any notice or any payment in lieu of notice, for Just Cause.

(2) The Executive acknowledges that the Company's stock option plan provides for immediate termination of any unexercised Stock Option, even if vested, upon dismissal for Just Cause.

Section 7.3 Voluntary Termination by the Executive

The Executive may terminate the Executive's employment under this Agreement for any reason by providing not less than 30 calendar days' notice in writing to the Company; provided, however, that the Company may waive or abridge any notice period specified in such notice in its sole and absolute discretion.

Section 7.4 Death of the Executive

The employment of the Executive will terminate upon the death or determination of the permanent disability of the Executive which renders performance of the Services contemplated hereby impossible.

Section 7.5 No Payments in Certain Events

Upon either:

- (a) termination for Just Cause in accordance with Section 7.2 herein; or
- (b) by the voluntary termination of employment by the Executive in accordance with Section 7.3 herein,

the Executive will be entitled to compensation earned by the Executive before the Effective Date of Termination calculated pro rata up to and including the Effective Date of Termination, reimbursement of any outstanding expenses as of the Effective Date of Termination and any outstanding Vacation pay as of the Effective Date of Termination but will not be entitled to any severance or other payments under this Agreement or otherwise.

Section 7.6 Payments in the Event of Termination by Company Without Just Cause

The Company will, if it elects for convenience to terminate the employment of the Executive, or if there is Constructive Dismissal of the Executive, provide the Executive with the following as soon as practicable following the Effective Date of Termination:

- (a) payment of the total of:
 - (i) severance in lieu of notice equal to twelve months of the then Base Salary only;
 - (ii) issuance of Compensation Shares as at the Effective Date of Termination, to the

- extent that such Compensation Shares have not been issued in full;
- (iii) any cash bonus earned but not paid as at the Effective Date of Termination;
- (iv) any outstanding Vacation pay as at the Effective Date of Termination; and
- (v) any outstanding Expenses as at the Effective Date of Termination;
- (b) maintain the Executive's then Group Benefits for twelve months from the Effective Date of Termination;
- (c) subject to the Company's then stock option plan and the rules and policies of any regulatory authority and stock exchange having jurisdiction over the Company, allow for the Executive to then exercise any unexercised and fully vested portion of the Stock Option on the Effective Date of Termination at any time during 30 calendar days from the Effective Date of Termination.

Section 7.7 Payments in the Event of Termination upon a Change In Control

If at any time within 12 months after the occurrence of a Change of Control either (i) the Company terminates the Executive's employment without Just Cause, or (ii) the Executive terminates the Executive's employment as a result of a Constructive Dismissal, the Company will as soon as practicable following the Effective Date of Termination:

- (a) pay the total of:
 - (i) severance in lieu of notice equal to twelve months of the then Base Salary only;
 - (ii) issuance of Compensation Shares as at the Effective Date of Termination, to the extent that such Compensation Shares have not been issued in full;
 - (iii) any cash bonus earned but not paid as at the Effective Date of Termination;
 - (iv) any outstanding Vacation pay as at the Effective Date of Termination; and
 - (v) any outstanding Expenses as at the Effective Date of Termination;
- (b) maintain the Executive's then Group Benefits for a period of twelve months from the Effective Date of Termination;
- (c) subject to the Company's then stock option plan and the rules and policies of any regulatory authority and stock exchange having jurisdiction over the Company, allow for the Executive to then exercise any unexercised and fully vested portion of the Stock Option on the Effective Date of Termination at any time during 90 calendar days from

the Effective Date of Termination.

Section 7.8 Executive to Provide Release and Resignation

As of the Effective Date of Termination and so soon thereafter as practicable and as a condition of receiving payments provided for under this Agreement upon termination, the Executive will execute and deliver to the Company a full and final release of the Company, in the form which shall be in a the form mutually agreed upon within 15 days of the Effective Date of this Agreement, in respect of the Executive's employment under this Agreement and otherwise against payments of amounts due the Executive hereunder. The Executive will concurrently provide a written resignation from any office held in the Company or any affiliate as of Effective Date of Termination.

Section 7.9 Manner of Payment

The Company shall, pay the amounts referred to in Section 7.5, Section 7.6 and Section 7.7 herein in a lump sum payment within fourteen business days after receipt by the Company of the executed full and final release referred to in Section 7.8 herein.

Section 7.10 Return of Assets and Documents

All documents and materials in any form or medium and including, but not limited to, files, forms, brochures, books, correspondence, memoranda, manuals and lists (including lists of customers, suppliers, products and prices), all equipment and accessories and again including, but not being limited to, leased automobiles, computers, computer disks, software products, cellular phones and personal digital assistants, all keys, building access cards, parking passes, credit cards, and other similar items pertaining to the business of the Company that may come into the possession or control of the Executive, will at all times remain the property of the Company and, on termination of the Executive's employment for any reason, the Executive will promptly deliver to the Company all property of the Company in the possession of the Executive or directly or indirectly under the control of the Executive, and will not reproduce or copy any such property or other property of the Company.

Article 8 CONFIDENTIALITY**Section 8.1 Confidential Information**

- (1) The Executive acknowledges that:
- (a) the Executive may, during the course of employment with the Company, acquire information which is confidential in nature or of great value to the Company and its subsidiaries including, without limitation, matters or subjects concerning its business plan, corporate assets, cost and pricing data, customer listing, financial reports, formulae, inventions, know-how, marketing strategies, products or devices, research and development projects and findings, computer programs, suppliers, and trade secrets, whether in the form of records, files, correspondence, notes, data, information, or any other form, including copies or excerpts thereof (collectively, the “**Confidential Information**”); the disclosure of any of which to competitors, customers, clients or suppliers of the Company, unauthorized personnel of the Company or to third parties would be highly detrimental to the best interests of the Company; and
 - (b) the right to maintain the confidentiality of Confidential Information, and the right to preserve the Company’s goodwill, constitute proprietary rights which the Company is entitled to protect.
- (2) The Executive will, while employed with the Company and at all times thereafter:
- (a) hold all Confidential Information that the Executive receives in trust for the sole benefit of the Company and in strictest confidence;
 - (b) protect all Confidential Information from disclosure and will not take any action that could reasonably be expected to result in any Confidential Information losing its character as Confidential Information, and will take all reasonable lawful action necessary to prevent any Confidential Information from losing its status as Confidential Information; and
 - (c) neither, except as required in the course of performing duties and responsibilities under this Agreement, directly or indirectly use, publish, disseminate or otherwise disclose any Confidential Information to any unauthorized personnel of the Company or to any third party, nor use Confidential Information for any purpose other than the purposes of the Company, without the prior written consent of the Company, which consent may be withheld in the Company’s sole and absolute discretion.
- (3) The restrictions on the Executive’s use or disclosure of all Company Information, as set forth in this Article 8, shall continue following the expiration or termination of the Executive’s employment with the Company regardless of the reasons for or manner of such termination.

(4) Notwithstanding Section 8.1(2) herein, the Executive may, if and solely to the extent required by lawful subpoena or other lawful process, disclose Confidential Information but, to the extent possible, shall first notify the Company of each such requirement so that the Company may seek an appropriate protective order or waive compliance with the provisions of this Agreement. The Executive will co-operate fully with the Company at the expense of the Company in seeking any such protective order.

(5) The Executive acknowledges that the Company is a reporting company within the meaning of the federal securities laws and regulations of the United States and that it is bound by all such laws and regulations as they pertain to the executives of such companies, including all restrictions on insider trading, and that it may not trade in the securities of the Company without complete compliance with all such laws and regulations and policies of the Company, including the duty to pre clear any such trades with the Company's counsel, and only during periods in which the Company has opened a trading window for executives. In addition, the Executive will agree to be bound by all codes of ethics and business conduct and policies governing disclosure of confidential information, trading in securities and other matters adopted from time-to-time by the Company and generally applicable to executives of the Company.

Article 9 NON-COMPETITION AND NON-SOLICITATION

Section 9.1 Non-Competition and Payments for Enforcement by the Company during Restricted Period

(1) The Executive acknowledges that the Executive's Services under this Agreement are of special, unique and extraordinary character which give the Executive value to the Company; the loss of which cannot adequately be compensated in damages or by an action at law. In addition to, and not in limitation of any other restrictive covenant which may be binding on the Executive, the Executive shall not anywhere in Canada, for a period equal to the length of time determined by severance in lieu of notice, after the termination of this Agreement (the "**Restricted Period**" herein) for any reason in any manner whatsoever:

- (a) carry on, engage in, or be concerned with or interested in; or
- (b) permit the Executive's name or any part thereof to in any manner whatsoever to be used or connected with any business that is, or any interest in any business that is,

or involves to any material degree, a business similar to the business carried on by and competitive to the business of the Company.

(2) The Executive agrees that:

- (a) all restrictions contained in Section 9.1 herein are reasonable and valid in the circumstances and all defences to the strict enforcement thereof by the Company are hereby waived by the Executive;
- (b) the remedy available to the Company at law for any breach by him of Section 9.1 herein

will be inadequate and that the Company, on any application to a Court, shall be entitled to temporary and permanent injunctive relief against the Executive without the necessity of proving actual damage to the Company; and

- (c) if the foregoing covenant is found to be unreasonable to any extent by a court of competent jurisdiction adjudicating upon the validity of the covenant, whether as to the scope of the restriction, the area of the restriction or the duration of the restriction, then such restriction shall be reduced to that which is in fact declared reasonable by such court, or a subsequent court of competent jurisdiction, requested to make such a declaration.

Section 9.2 Non-Solicitation

The Executive hereby agrees that the Executive will not, during the period commencing on the Effective Date hereof and ending one year following the termination or expiration of this Agreement for any reason, be a party to or abet any solicitation of employees, customers, clients, referral services, consultants or suppliers of the Company or any of its subsidiaries, to transfer business from the Company or any of its subsidiaries to any other person, or seek in any way to persuade or entice any employee of the Company or any of its subsidiaries to leave that employment or to be a party to or abet any such action.

Article 10 OWNERSHIP OF INTELLECTUAL PROPERTY

Section 10.1 Definitions

In this Agreement, “**Inventions**” means, collectively, all:

- (a) discoveries, inventions, ideas, suggestions, reports, documents, designs, technology, methodologies, compilations, concepts, procedures, processes, products, protocols, treatments, methods, tests, improvements, work product and computer programs (including all source code, object code, compilers, libraries and developer tools, and any manuals, descriptions, data files, resource files and other such materials relating thereto) (collectively the “**Materials**”), and
- (b) each and every part of the foregoing,

that are conceived, developed, reduced to practice or otherwise made by the Executive either alone or with others or, in any way, relate to the present or proposed programs, services, products or business of the Company, or to tasks assigned to the Executive in connection with the Executive’s duties or in connection with any research or development carried on or planned by the Company, whether or not such Inventions are conceived, developed, reduced to practice or otherwise made during the Executive’s employment or during regular working hours and whether or not the Executive is specifically instructed to conceive, develop, reduce to practice or otherwise make same.

Section 10.2 Exclusive Property

The Executive agrees that all Inventions, and any and all services and products which embody, emulate or employ any such Invention, shall be the sole property of the Company and all copyrights, patents, patent rights, trademarks, service marks, reproduction rights and all other proprietary title, rights and interest in and to each such Invention, whether or not registrable (collectively, the **"Intellectual Property Rights"**), shall belong exclusively to the Company.

Section 10.3 Work for Hire

For purposes of all applicable copyright laws to the extent, if any, that such laws are applicable to any such Invention or any such service or product, it shall be considered a work made for hire and the Company shall be considered the author thereof, including without limitation under the pertinent laws and regulations of the United States, including but not limited to all provisions of Title 17 of the United States Code, as amended from time to time.

Section 10.4 Disclosure

The Executive will promptly disclose to the Company, or any persons designated by it, all Inventions and all such services or products.

Section 10.5 Assignment

The Executive hereby assigns and further agrees to, from time to time as such Inventions arise, assign to the Company or its nominee (or their respective successors or assigns) all of the Executive's right, title and interest in and to the Inventions and the Intellectual Property Rights without further payment by the Company.

Section 10.6 Moral Rights

The Executive hereby waives and further agrees to, from time to time as such Inventions arise, waive for the benefit of the Company and its successors or assigns all the Executive's moral rights in respect of the Inventions.

Section 10.7 Further Assistance

The Executive agrees to assist the Company in every proper way (but at the Company's expense) to obtain and, from time to time, at the Company's expense, enforce the Intellectual Property Rights and to the Inventions in any and all countries, and to that end will execute all documents for use in applying for, obtaining and enforcing the Intellectual Property Rights in and to such Inventions as the Company may desire, together with any assignments of such Inventions to the Company or persons designated by it. The Executive's obligation to assist the Company in obtaining and enforcing such Intellectual Property

Rights in any and all countries shall continue beyond the termination of this Agreement.

Section 10.8 Representations and Warranties

The Executive hereby represents and warrants that as of the Effective Date of this Agreement and during the term of this Agreement, the Executive is subject to no contractual or other restriction or obligation that will in any manner limit the Executive's obligations under this Agreement or activities on behalf of the Company. The Executive hereby represents and warrants to the Company that the Executive has no continuing obligations to any person (a) with respect to any Invention or (b) that require the Executive not to disclose the same.

Article 11 OTHER PROVISIONS

Section 11.1 Waivers and Amendments

This Agreement may be amended, modified, superseded, cancelled, renewed or extended, only by a written agreement between the Parties. Failure or delay by either Party to enforce compliance with any term or condition of this Agreement shall not constitute a waiver of such term or condition.

Section 11.2 Entire Agreement

This Agreement constitutes the entire understanding and agreement of the parties hereto concerning the subject matter hereof, and supersedes all prior or contemporaneous written or oral understandings or agreements of the parties, and there are no other agreements or understandings between the parties.

Section 11.3 No Representation or Claims

The Executive agrees that the Executive has not been induced to enter into this Agreement by reason of any statement, representation, understanding or promise not expressly set out in this Agreement. The Executive has no claim against the Company arising from any Services provided by the Executive to the Company in any capacity prior to the effective date of this Agreement.

Section 11.4 Governing Law

The situs of this Agreement is Vancouver, British Columbia, Canada, and for all purposes this Agreement will be governed exclusively by and construed and enforced in accordance with the laws prevailing in the Province of British Columbia, Canada, and the federal laws of Canada applicable thereto. Notwithstanding the foregoing, any matters appurtenant hereto which are covered by United States securities and/or intellectual property laws shall be governed by and construed and enforced in accordance therewith. Each of the Executive and the Company hereby irrevocably attorns and submits to the exclusive jurisdiction of the courts of the Province of British Columbia, Canada with respect to any dispute related to this Agreement.

Section 11.5 Notices

Any notice or other communication or writing required or permitted to be given under this Agreement or for the purposes of this Agreement will be in writing and will be sufficiently given if delivered personally, or if feasible transmitted by facsimile transmission (with original to follow by mail) or other form of recorded communication, tested prior to transmission, to:

(a) if to the Company:

AgriFORCE Growing Systems Ltd.
Suite 600
777 Hornby Street
Vancouver, BC V6Z 1S4
Attention: Ingo Mueller

E-mail: imueller@agriforcegs.com

(b) if to the Executive:

Richard Wong
2627 Kitchener St
Vancouver, BC V5K 3C9

E-mail: rwong@cfo2go.ca

or to such other address as the Party to whom such notice is to be given will have last notified the Party giving the same in the manner provided in this section. Any notice so delivered will be deemed to have been given and received on the day it is so delivered at such address; provided that such day is not a Business Day (as herein defined) then the notice will be deemed to have been given and received on the Business Day next following the day it is so delivered. Any notice so transmitted by facsimile transmission, email or other form of recorded communication will be deemed to have been given and received on the day of its confirmed transmission (as confirmed by the transmitting medium), provided that if such day is not a Business Day then the notice will be deemed to have been given and received on the Business Day next following such day. "Business Day" means any day that is not a Saturday, Sunday or civic or statutory holiday in the Province of British Columbia, Canada.

Section 11.6 Assignment

The Executive may not assign this Agreement or any right or obligation under it.

Section 11.7 Survival

The obligations of Article 7, Article 8, Article 9, and Article 10 shall survive the termination of this Agreement.

Section 11.8 Severability

If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof shall continue in full force and effect. The Parties agree to negotiate in good faith to agree to a substitute provision which shall be as close as possible to the intention of any invalid or unenforceable provision as may be valid or enforceable.

Section 11.9 Independent Legal Advice

The Executive acknowledges that the Company has recommended that the Executive obtain independent legal advice with respect to this Agreement, and that the Executive has had a reasonable opportunity to do so prior to executing this Agreement.

Section 11.10 Enurement

This Agreement will enure to the benefit of and will be binding upon the Parties and their respective heirs, executors, administrators and assigns.

Section 11.11 Further Assurances

The Parties will from time to time after the execution of this Agreement make, do, execute or cause or permit to be made, done or executed, all such further and other acts, deeds, things, devices and assurances in law whatsoever as may be required to give full force and effect to this Agreement.

Section 11.12 Personal Information

The Executive acknowledges that the Company is obligated to comply with the British Columbia Personal Information Protection Act and with any other applicable legislation governing the collection, use, storage and disclosure of personal information. The Executive agrees to comply with all Company personal information protection policies and with other policies, controls and practices as they may exist, from time to time, in seeking to ensure that the Executive and the Company engage only in lawful collection, storage, use and disclosure of personal information. The Executive acknowledges that the Executive may be required by the Company to complete a personal information form for NASDAQ and have it notarized and delivered to NASDAQ.

Section 11.13 Captions

The headings, captions, article, section and subsection numbers appearing in this Agreement are inserted for convenience of reference only and shall in no way define, limit, construe or describe the scope or intent of this Agreement nor in any way affect this Agreement.

Section 11.14 Counterparts

This Agreement may be executed in two or more counterparts, each of which shall be deemed

an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF the Parties have executed this agreement as of the date inserted on page one with intended effect from the Effective Date.

AGRIFORCE GROWING SYSTEMS LTD.

By: Ingo Mueller
Name: Ingo Mueller
Title: CEO

Signed, Sealed and Delivered by Richard Wong)	
in the presence of:)	
<u>Ingo Mueller</u>)	
Witness (Signature))	
<u>Ingo Mueller</u>)	
Name (please print))	<u>Richard Wong</u>
<u>4407 Prospect Rd.</u>)	
Address)	
<u>N.Vancouver, B.C.</u>)	
City, Province)	
<u>Businessman</u>)	
Occupation)	

APPENDIX A

As a key member of the Executive team, you will report to the CEO and assume an overall strategic role in the Company. You will also be expected to participate in driving the organization towards achieving its objectives whilst moving the Finance and Administration function along the transactional and cost efficiency functions to the value adding strategic functions by demonstrating ethical leadership and business integrity. In so doing, you will need to balance short term concerns and pressures, such as managing cash, liquidity and profitability with long-term vision and sustainable Company success. You will work closely with the CEO and the rest of the Executive team to drive and manage change and innovation in a quickly evolving and changing industry landscape whilst fulfilling stewardship responsibilities. In so doing you will ensure effective compliance and control and respond to regulatory developments and financial reporting obligations. You will be directly responsible for accounting, finance, forecasting, costing, property management, deal analysis and negotiations, investor relations, compliance, financing and capital markets activities.

1. REPORTING LINES:

Reports directly to: CEO

Direct subordinate: Controller, Senior Accountant

2. MAIN DUTIES:

1. Oversee and coordinate company financial planning and budget management functions
2. develop an economic model based on an agreed upon business plan which will include 5 year forecast, P&L, balance sheet, cashflow, staffing schedule, capex schedule, and such other agreed upon schedules; regularly update and amend as business changes/grows.
3. Identify and provide recommendations on resourcing gaps;
4. Assist executive team in refining business model and strategic plan if required;
5. Based on information above discuss and identify appropriate KPIs based on both industry and internal standards;
6. Implement due diligence database for future financing, partnerships, etc.
7. Assist in developing corporate structure for local and international operations, including working with advisors to develop a detailed tax plan in order to reduce the Company's marginal tax rate.
8. Identify and set up an ERP system working with Operations to establish horticulture based information and inputs in order to establish appropriate operational KPI's.
9. Assist in all fund-raising activities including assisting in presentation preparation and roadshow/investor meetings as required.

10. Establishing banking relationships for the purposes of conducting international business and utilizing conventional debt facilities where possible.
11. Determine appropriate levels of debt to reduce the company's cost of capital as it expands.
12. Assist in developing a Company benefits, bonus plan and option plan.
13. Assist and lead the Company's future liquidity event/strategic partner/investor process evaluating listing venues and timing, alternative liquidity events and or strategic partnerships.
14. Select, develop and lead all audit and quarterly reporting activities.
15. Build Fin and Admin team, identifying key roles and hires and mentoring and training existing team.
16. Assist management in the development of the strategic direction for and administration of investment and liquidity management strategies.
17. Participate in developing new business opportunities, including maintaining awareness of company's production and marketing activities, especially as they relate to financial accountability and reporting.
18. Oversee all treasury activities, including banking, investment, derivative/foreign currency and liquidity management.
19. Supervise assigned personnel, allocate work and make decisions regarding employment related functions (performance, training/development, salary recommendations, promotions/transfers).
20. Oversee the management and coordination of all fiscal reporting activities of the organization, including providing the CEO with annual budgets and periodic budget/forecast updates.
21. Oversee the production of monthly reports, including financial statements (balance sheet, income statement, cash flows, capex schedules), prepared in compliance with generally accepted accounting principles and/or IFRS, with comparison to budget/forecast.
22. Oversee the development and maintenance of internal controls to safeguard the financial assets of the company and ensure safe and sound business operations, recordkeeping and proper disclosure of required financial, operational and management information.
23. Oversee local, state, and federal reporting requirements, including tax and regulatory filings, across all companies within the group.

24. Liaise and work with department managers to develop three year and five year strategic plans for the company, including budgeting, forecasting and business plans.
25. Oversee and ensure adherence to company policies and procedures in compliance with published procedural manuals/documentation in force.
26. Oversee/assist the establishment and maintenance of an organizational structure with appropriate support to effectively accomplish corporate goals and objectives.
27. Serve on management committees, as representative to Board meetings and liaison otherwise, as requested.
28. Review legal and/or contractual documentation as requested in order to provide management with "finance-oriented" feedback prior to finalization.
29. Oversee financial management of all company operations within the group and ensure adequate cash flow/direction to meet the overall needs.
30. Provide overall coordination and liaise with external auditors on year-end (and other) reporting requirements, direct company staff to work within the parameters and discuss/review with the auditor's recommendations for procedural improvements.
31. Manage/oversee business insurance plans and corporate health care plan coverage (as applicable).
32. Oversee summary of major contract details/schedules and ensure regularly updated.
33. Other duties as assigned.

3. ADDITIONAL DUTIES:

1. Represent the company externally to financial institutions, government agencies and the general public as directed;
2. Recruit, train, supervise and evaluate members of the Finance/Admin department, in line with applicable country and group HR process, notably by setting yearly objective to each member of the team and giving feed back on performance during annual interviews.

Raise awareness and knowledge of financial management matters.

3. Establish effective relationships with other senior executives and communicate a vision for organizational success that provides motivation and acceptance by others.



EXECUTIVE EMPLOYMENT AGREEMENT

Dated as of July 22nd, 2021

Between

AGRIFORCE GROWING SYSTEMS LTD.
(the "Company")

and

Troy McClellan
(the "Executive")

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SCHEDULE A

EXECUTIVE EMPLOYMENT AGREEMENT

This Agreement is dated as of the **July 22, 2021** between

AGRIFORCE GROWING SYSTEMS LTD., a company incorporated pursuant to the laws of the Province of British Columbia, Canada with an address at #600, 777 Hornby Street, Vancouver, British Columbia V6Z 1S4

(the "**Company**")

and

Troy McClellan with an address at #74-2100 Salish Drive, Vancouver, BC V6N3N2

(the "**Executive**")

RECITALS

A. The Company is in the business of as a company specializing in the delivery of products and services to the agricultural technology industry.

B. The Executive is the **VP, Design & Construction** of the Company.

C. The Company and the Executive wish to enter into this Agreement pursuant to which the Executive will be employed as the **President AgriFORCE Solutions** of the Company on the terms and conditions set forth in this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSETH that, in consideration of the mutual covenants and provisos herein contained, **THE PARTIES AGREE AS FOLLOWS:**

ARTICLE 1—TERM

Section 1.1 Indefinite Term

The term of the Executive's employment by the Company under this Agreement is indefinite and has commenced on **May 1, 2021** and shall thereafter continue unless and until such employment is earlier terminated by either party as hereinafter provided. For purpose of this Agreement, the Effective Date is deemed to be **July 22, 2021**.

ARTICLE 2- TITLE, SERVICES, REPORTING AND DUTIES

Section 2.1 Title and Services

(1) The Executive will continue to perform the duties and responsibilities normally and reasonably associated with the office of **President, AgriFORCE Solutions** which will include, without limitation, those services set out in Schedule "A" (collectively, the "**Services**").

(2) The Executive's shall be employed to provide the Services on a full-time basis.

(3) The Executive agrees that the Executive's duties and responsibilities may be modified as mutually agreed to by the Parties, each acting reasonably.

(4) The Executive will report to the board of directors of the Company (the "**Board**"), and will undertake and perform the Services.

Section 2.2 Conditions

The Executive's employment under this Agreement is generally conditional upon the Executive maintaining any required regulatory approvals for his involvement as a public company officer with any stock exchange, securities commission or like authority; remaining a person of good repute; and, if applicable, maintaining, in good standing, his professional qualification.

Section 2.3 Subsidiaries

The Executive will perform the Services on behalf of the Company and its subsidiaries. Accordingly, in this Agreement, the term "**the Company**" means the Company and all of its subsidiaries.

*[In the event that the Company is acquired (either directly or through a series of transactions) by a publicly traded company (a "**Pubco**") in connection with a going public transaction (a "**Going Public Transaction**"), the Company will be deemed to include the Pubco or any successor organizations.]*

Section 2.4 Duties

(1) The Executive acknowledges that, as a senior officer of the Company, the Executive will owe a fiduciary duty to the Company.

(2) The Executive will also:

- (a) devote full-time effort and attention to the business and affairs of the Company;
- (b) perform the Services in a competent and efficient manner and in a manner consistent with the Executive's fiduciary obligations to the Company as an executive officer thereof and in compliance with all reasonable Company policies of which the Executive is made aware, and will carry out all lawful instructions and directions from time to time given to the Executive in relation to the performance of the Services;
- (c) use all commercially reasonable efforts to promote the interests and goodwill of the Company;
- (d) comply with all Company policies and codes of business ethics, as adopted by the Board from time to time, including the Company's confidentiality and insider trading policies;
- (e) not undertake any other business or occupation or become a director or officer, employee or agent of any other company, firm, society or person without prior written approval of the Board of Directors.

(3) The Executive warrants that the Executive shall perform the Services and conduct his other activities in a manner which is lawful and reputable and which is designed to bring good repute to the Company, the Company's business interests and the Executive. In particular, and in this regard, the Executive specifically agrees to provide the Services in a sound and professional manner consistent with

performance quality standards of the industry and otherwise in accordance with the terms of this Agreement. In the event that the Board of Directors has a reasonable concern that the Services as performed by the Executive are being conducted in a way contrary to law or are reasonably likely to bring disrepute to the business interests or to the Company's or the Executive's reputation, the Company may require that the Executive make such alterations in the Executive's activities, as the Board of Directors may reasonably require in its sole and absolute discretion to the extent necessary to address such reasonable concerns.

(4) The Executive will not knowingly breach, and will take all reasonable steps to inform himself about compliance with, all Canadian and foreign laws, whether federal, provincial or state, applicable to the Executive's respective duties and obligations hereunder. In particular, the Executive acknowledges the application of securities laws and his status as an "insider" as defined by such laws in connection with the trading in the Company's stock and dealing with its confidential information.

ARTICLE 3- PLACE OF EMPLOYMENT

Section 3.1 Vancouver Based

The Executive will provide Services based from the Company's Vancouver offices, but understands some travel may be necessary to where the Company currently or may in the future conduct business to the extent reasonably required to perform the Services.

ARTICLE 4- COMPENSATION AND BENEFITS

Section 4.1 Base Salary

The Executive shall receive an annual base salary of **C\$ 300,000** as it may be adjusted from time to time in accordance with this Agreement (the "**Base Salary**"). All such Base Salary will be due and payable by the Company to the Executive pro rata on a semi-monthly basis in arrears, net of applicable statutory deductions, in a manner consistent with the general payroll practice of the Company, or at such other time and in such other manner as the Executive and the Company may agree, from time to time.

Section 4.2 Increase in Base Salary

The Company will review, at least annually, the Base Salary payable to the Executive from time to time during the continuance of this Agreement. The Company may, in its discretion, increase (but not decrease) the Base Salary depending on the Executive's performance of the Services and having due regard to the financial circumstances of the Company.

Section 4.3 Shares

As part of the Executive's compensation, the Executive shall be issued a number of shares of the Company's common stock equal to **C\$ 100,000** divided by the average volume weighted average price of the Company's common stock for the five trading days immediately preceding the date of issuance. Shares shall be issued on a quarterly basis, in arrears, on the last trading day of each calendar quarter.

As a condition of receiving the Compensation Shares, the Executive agrees to enter into any lock-up agreement or escrow agreement required or considered reasonably necessary by the Company to enable the Company to list its common shares on any stock exchange or public market, or to complete any future public or private offering of its securities. For the purposes of this Agreement, (i) a lock-up agreement includes, without limitation, an agreement between the Executive, the Company and any underwriter or agent in connection with a financing or listing including restrictions on resale of the Common Shares, and (ii) an escrow agreement includes, without limitation, an agreement between the Executive, the Company and any trustee or agent engaged by the Company to act as escrow agreement in connection with the listing of the Company's common shares and providing for the deposit of the Compensation Shares into escrow subject to an escrow release period. The Executive further acknowledges that (i) the Compensation Shares may be subject to restrictions on resale imposed under applicable securities rules, and (ii) the issuance of the Compensation Shares will be subject to stock exchange approval upon listing of the common shares of the Company. The Company will use commercially reasonable efforts to obtain such required stock exchange approvals.

Section 4.4 Increase in Shares

The Company will review, at least annually, the Shares payable to the Executive from time to time during the continuance of this Agreement. The Company may, in its discretion, increase (but not decrease) the Shares depending on the Executive's performance of the Services and having due regard to the financial circumstances of the Company.

Section 4.5 Performance Bonuses

The Executive may receive, but is not guaranteed, an annual cash bonus of **30%** of base salary at target and up to **100%** of base salary based on performance targets established by the Board from time to time (the "**Bonus**"), provided that the setting of performance targets and the grant of any Bonus is at the sole discretion of the Board.

Section 4.6 Stock Options

The Executive will be eligible to participate in the Company's stock option plan, as in effect from time to time, (the "**Stock Option Plan**"). All grants of stock options made to the Executive will be made in accordance with and subject to the terms of the Stock Option Plan (including after applicable blackout periods) and subject to approval of the Board and any stock exchange on which the Company's shares are traded. The grant of any stock options will be made at the discretion of the Board in accordance with the terms of the Stock Option Plan. The Executive acknowledges that the Board will be entitled to impose vesting conditions in connection with any grant of options. The Executive will be entitled to receive X% of the new options to be allocated upon the exercise of the current granted options. These options shall be granted at the IPO price and within one week of the IPO. Based on current recommendations from management it is expected that the number of options to be granted to the Executive as of the effective date of this agreement, will be approximately {amount} to be vested over 3 years.

Section 4.7 Group Insurance and Health Benefits

The Executive will be eligible to participate in, and the Company will pay the premiums in respect of, any group medical and dental insurance, health, extended health, life, long-term disability, and accidental death and dismemberment insurance and pension plans applicable to the executives of the Company from time to time (together, the "**Benefits**"). Entitlement to the Benefits under any plan shall be determined by the plan carrier in accordance with the terms and conditions of such plan.

Section 4.8 Payment of Compensation and Status as a Taxable Employee

It is hereby also acknowledged and agreed that the Executive will be classified as a taxable employee of the Company for all purposes, such that all compensation which is provided by the Company to the Executive under this Agreement, or otherwise, will be calculated and payable on a net basis for which all required statutory taxes will first be deducted by the Company and remitted on behalf of the Executive to all applicable taxation authorities in each instance.

ARTICLE 5- ANNUAL VACATION**Section 5.1 Period**

The Executive will be entitled to **four (4)** weeks of paid vacation during each calendar year, to be taken at a time or times that are approved by the Company, taking into account the operational requirements of the Company and the need for timely performances of the Services. The Executive will also generally be entitled to all statutory holidays, though the performance of the Services may require that the Executive work on such days, for which the Executive will not be compensated or given time in lieu thereof. Unused vacation may be carried over for up to twenty-four months after the completion of each fiscal year after which time it will be paid out.

ARTICLE 6- EXPENSES**Section 6.1 Reimbursement of Expenses**

The Company will reimburse the Executive for all pre-approved and reasonable travel (other than auto) and other out-of-pocket expenses incurred by the Executive directly related to the performance of the Services (collectively, the “**Expenses**”). The Executive will account for such Expenses in accordance with the policies and directions provided by the Company from time to time.

ARTICLE 7- TERMINATION**Section 7.1 Definitions**

In this Agreement:

- (a) “**Just Cause**” means any material breach of this agreement and any act, omission, behaviour, conduct or circumstance of the Executive that constitutes just cause for dismissal of the Executive at common law, including an act involving gross negligence, or wilful misconduct, commission or a felony, becoming bankrupt, or any material omission in the performance of Services, or the doing or condoning any unlawful or manifestly improper act; and
- (b) “**Change In Control**” means either: (i) a merger or acquisition in which the Company is not the surviving entity; except for a transaction the principal purpose of which is to change the incorporating jurisdiction of the Company; (ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company; or (iii) any other corporate reorganization or business combination in which 50% or more of the outstanding voting stock of the Company is transferred, or exchanged through merger, to different holders in a single transaction of the Company or in a series of related transactions completing

within 12 months. For the purposes of this Agreement, Change of Control" does not include a Going Public Transaction.

- (c) **"Constructive Dismissal"** includes, but shall not be limited to a demotion in either title or within the Company organizational structure or a change in the duties of the Executive, any changes in the fundamental terms of this Agreement without the consent of the Executive and to the detriment of the Executive.
- (d) **"Effective Date of Termination"** means the date on which this Agreement has been terminated in accordance with the terms set forth herein.

Section 7.2 Termination by the Company for Just Cause

- (1) The Company may terminate the employment of the Executive under this Agreement summarily, without any notice or any payment in lieu of notice, for Just Cause.
- (2) The Executive acknowledges that the Company's stock option plan provides for immediate termination of any unexercised Stock Option, even if vested, upon dismissal for Just Cause.

Section 7.3 Voluntary Termination by the Executive

The Executive may terminate the Executive's employment under this Agreement for any reason by providing not less than 30 calendar days' notice in writing to the Company; provided, however, that the Company may waive or abridge any notice period specified in such notice in its sole and absolute discretion.

Section 7.4 Death of the Executive

The employment of the Executive will terminate upon the death or determination of the permanent disability of the Executive which renders performance of the Services contemplated hereby impossible.

Section 7.5 No Payments in Certain Events

Upon either:

- (a) termination for Just Cause in accordance with Section 7.2 herein; or
- (b) by the voluntary termination of employment by the Executive in accordance with Section 7.3 herein,

the Executive will be entitled to compensation earned by the Executive before the Effective Date of Termination calculated pro rata up to and including the Effective Date of Termination, reimbursement of any outstanding expenses as of the Effective Date of Termination and any outstanding Vacation pay as of the Effective Date of Termination but will not be entitled to any severance or other payments under this Agreement or otherwise.

Section 7.6 Payments in the Event of Termination by Company Without Just Cause

The Company will, if it elects for convenience to terminate the employment of the Executive, or if there is Constructive Dismissal of the Executive, provide the Executive with the following as soon as practicable following the Effective Date of Termination:

- (a) payment of the total of:
 - (i) severance in lieu of notice equal to twelve months of the then Base Salary only;
 - (ii) issuance of Compensation Shares as at the Effective Date of Termination, to the extent that such Compensation Shares have not been issued in full;
 - (iii) any cash bonus earned but not paid as at the Effective Date of Termination;
 - (iv) any outstanding Vacation pay as at the Effective Date of Termination; and
 - (v) any outstanding Expenses as at the Effective Date of Termination;
- (b) maintain the Executive's then Group Benefits for twelve months from the Effective Date of Termination;
- (c) subject to the Company's then stock option plan and the rules and policies of any regulatory authority and stock exchange having jurisdiction over the Company, allow for the Executive to then exercise any unexercised and fully vested portion of the Stock Option on the Effective Date of Termination at any time during 30 calendar days from the Effective Date of Termination.

Section 7.7 Payments in the Event of Termination upon a Change In Control

If at any time within 12 months after the occurrence of a Change of Control either (i) the Company terminates the Executive's employment without Just Cause, or (ii) the Executive terminates the Executive's employment as a result of a Constructive Dismissal, the Company will as soon as practicable following the Effective Date of Termination:

- (a) pay the total of:
 - (i) severance in lieu of notice equal to twelve months of the then Base Salary only;
 - (ii) issuance of Compensation Shares as at the Effective Date of Termination, to the extent that such Compensation Shares have not been issued in full;
 - (iii) any cash bonus earned but not paid as at the Effective Date of Termination;
 - (iv) any outstanding Vacation pay as at the Effective Date of Termination; and
 - (v) any outstanding Expenses as at the Effective Date of Termination;
- (b) maintain the Executive's then Group Benefits for a period of twelve months from the Effective Date of Termination;

- (c) subject to the Company's then stock option plan and the rules and policies of any regulatory authority and stock exchange having jurisdiction over the Company, allow for the Executive to then exercise any unexercised and fully vested portion of the Stock Option on the Effective Date of Termination at any time during 90 calendar days from the Effective Date of Termination.

Section 7.8 Executive to Provide Release and Resignation

As of the Effective Date of Termination and so soon thereafter as practicable and as a condition of receiving payments provided for under this Agreement upon termination, the Executive will execute and deliver to the Company a full and final release of the Company, in the form which shall be in a the form mutually agreed upon within 15 days of the Effective Date of this Agreement, in respect of the Executive's employment under this Agreement and otherwise against payments of amounts due the Executive hereunder. The Executive will concurrently provide a written resignation from any office held in the Company or any affiliate as of Effective Date of Termination.

Section 7.9 Manner of Payment

The Company shall, pay the amounts referred to in Section 7.5, Section 7.6 and Section 7.7 herein in a lump sum payment within fourteen business days after receipt by the Company of the executed full and final release referred to in Section 7.8 herein.

Section 7.10 Return of Assets and Documents

All documents and materials in any form or medium and including, but not limited to, files, forms, brochures, books, correspondence, memoranda, manuals and lists (including lists of customers, suppliers, products and prices), all equipment and accessories and again including, but not being limited to, leased automobiles, computers, computer disks, software products, cellular phones and personal digital assistants, all keys, building access cards, parking passes, credit cards, and other similar items pertaining to the business of the Company that may come into the possession or control of the Executive, will at all times remain the property of the Company and, on termination of the Executive's employment for any reason, the Executive will promptly deliver to the Company all property of the Company in the possession of the Executive or directly or indirectly under the control of the Executive, and will not reproduce or copy any such property or other property of the Company.

ARTICLE 8- CONFIDENTIALITY

Section 8.1 Confidential Information

- (1) The Executive acknowledges that:
- (a) the Executive may, during the course of employment with the Company, acquire information which is confidential in nature or of great value to the Company and its subsidiaries including, without limitation, matters or subjects concerning its business plan, corporate assets, cost and pricing data, customer listing, financial reports, formulae, inventions, know-how, marketing strategies, products or devices, research and development projects and findings, computer programs, suppliers, and trade secrets, whether in the form of records, files, correspondence, notes, data, information, or any other form, including copies or excerpts thereof (collectively, the "**Confidential Information**"); the disclosure of any of which to competitors, customers, clients or suppliers of the Company, unauthorized personnel of the Company or to third parties would be highly detrimental to the best interests of the Company; and
 - (b) the right to maintain the confidentiality of Confidential Information, and the right to preserve the Company's goodwill, constitute proprietary rights which the Company is entitled to protect.
- (2) The Executive will, while employed with the Company and at all times thereafter:
- (a) hold all Confidential Information that the Executive receives in trust for the sole benefit of the Company and in strictest confidence;
 - (b) protect all Confidential Information from disclosure and will not take any action that could reasonably be expected to result in any Confidential Information losing its character as Confidential Information, and will take all reasonable lawful action necessary to prevent any Confidential Information from losing its status as Confidential Information; and
 - (c) neither, except as required in the course of performing duties and responsibilities under this Agreement, directly or indirectly use, publish, disseminate or otherwise disclose any Confidential Information to any unauthorized personnel of the Company or to any third party, nor use Confidential Information for any purpose other than the purposes of the Company, without the prior written consent of the Company, which consent may be withheld in the Company's sole and absolute discretion.
- (3) The restrictions on the Executive's use or disclosure of all Company Information, as set forth in this Article 8, shall continue following the expiration or termination of the Executive's employment with the Company regardless of the reasons for or manner of such termination.
- (4) Notwithstanding Section 8.1(2) herein, the Executive may, if and solely to the extent required by lawful subpoena or other lawful process, disclose Confidential Information but, to the extent possible, shall first notify the Company of each such requirement so that the Company may seek an appropriate protective order or waive compliance with the provisions of this Agreement. The Executive will cooperate fully with the Company at the expense of the Company in seeking any such protective order.

(5) The Executive acknowledges that the Company is a reporting company within the meaning of the federal securities laws and regulations of the United States and that it is bound by all such laws and regulations as they pertain to the executives of such companies, including all restrictions on insider trading, and that it may not trade in the securities of the Company without complete compliance with all such laws and regulations and policies of the Company, including the duty to pre clear any such trades with the Company's counsel, and only during periods in which the Company has opened a trading window for executives. . In addition, the Executive will agree to be bound by all codes of ethics and business conduct and policies governing disclosure of confidential information, trading in securities and other matters adopted from time-to-time by the Company and generally applicable to executives of the Company.

ARTICLE 9- NON-COMPETITION AND NON-SOLICITATION

Section 9.1 Non-Competition and Payments for Enforcement by the Company during Restricted Period

(1) The Executive acknowledges that the Executive's Services under this Agreement are of special, unique and extraordinary character which give the Executive value to the Company; the loss of which cannot adequately be compensated in damages or by an action at law. In addition to, and not in limitation of any other restrictive covenant which may be binding on the Executive, the Executive shall not anywhere in Canada, for a period equal to the length of time determined by severance in lieu of notice, after the termination of this Agreement (the "**Restricted Period**" herein) for any reason in any manner whatsoever:

- (a) carry on, engage in, or be concerned with or interested in; or
- (b) permit the Executive's name or any part thereof to in any manner whatsoever to be used or connected with any business that is, or any interest in any business that is,

or involves to any material degree, a business competitive to the business of the Company.

(2) The Executive agrees that:

- (a) all restrictions contained in Section 9.1 herein are reasonable and valid in the circumstances and all defences to the strict enforcement thereof by the Company are hereby waived by the Executive;
- (b) the remedy available to the Company at law for any breach by him of Section 9.1 herein will be inadequate and that the Company, on any application to a Court, shall be entitled to temporary and permanent injunctive relief against the Executive without the necessity of proving actual damage to the Company; and
- (c) if the foregoing covenant is found to be unreasonable to any extent by a court of competent jurisdiction adjudicating upon the validity of the covenant, whether as to the scope of the restriction, the area of the restriction or the duration of the restriction, then such restriction shall be reduced to that which is in fact declared reasonable by such court, or a subsequent court of competent jurisdiction, requested to make such a declaration.

Section 9.2 Non-Solicitation

The Executive hereby agrees that the Executive will not, during the period commencing on the Effective Date hereof and ending one year following the termination or expiration of this Agreement for

any reason, be a party to or abet any solicitation of employees, customers, clients, referral services, consultants or suppliers of the Company or any of its subsidiaries, to transfer business from the Company or any of its subsidiaries to any other person, or seek in any way to persuade or entice any employee of the Company or any of its subsidiaries to leave that employment or to be a party to or abet any such action.

ARTICLE 10- OWNERSHIP OF INTELLECTUAL PROPERTY

Section 10.1 Definitions

In this Agreement, “**Inventions**” means, collectively, all:

- (a) discoveries, inventions, ideas, suggestions, reports, documents, designs, technology, methodologies, compilations, concepts, procedures, processes, products, protocols, treatments, methods, tests, improvements, work product and computer programs (including all source code, object code, compilers, libraries and developer tools, and any manuals, descriptions, data files, resource files and other such materials relating thereto) (collectively the “**Materials**”), and
- (b) each and every part of the foregoing,

that are conceived, developed, reduced to practice or otherwise made by the Executive either alone or with others or, in any way, relate to the present or proposed programs, services, products or business of the Company, or to tasks assigned to the Executive in connection with the Executive’s duties or in connection with any research or development carried on or planned by the Company, whether or not such Inventions are conceived, developed, reduced to practice or otherwise made during the Executive’s employment or during regular working hours and whether or not the Executive is specifically instructed to conceive, develop, reduce to practice or otherwise make same.

Section 10.2 Exclusive Property

The Executive agrees that all Inventions, and any and all services and products which embody, emulate or employ any such Invention, shall be the sole property of the Company and all copyrights, patents, patent rights, trademarks, service marks, reproduction rights and all other proprietary title, rights and interest in and to each such Invention, whether or not registrable (collectively, the “**Intellectual Property Rights**”), shall belong exclusively to the Company.

Section 10.3 Work for Hire

For purposes of all applicable copyright laws to the extent, if any, that such laws are applicable to any such Invention or any such service or product, it shall be considered a work made for hire and the Company shall be considered the author thereof, including without limitation under the pertinent laws and regulations of the United States, including but not limited to all provisions of Title 17 of the United States Code, as amended from time to time.

Section 10.4 Disclosure

The Executive will promptly disclose to the Company, or any persons designated by it, all Inventions and all such services or products.

Section 10.5 Assignment

The Executive hereby assigns and further agrees to, from time to time as such Inventions arise, assign to the Company or its nominee (or their respective successors or assigns) all of the Executive's right, title and interest in and to the Inventions and the Intellectual Property Rights without further payment by the Company.

Section 10.6 Moral Rights

The Executive hereby waives and further agrees to, from time to time as such Inventions arise, waive for the benefit of the Company and its successors or assigns all the Executive's moral rights in respect of the Inventions.

Section 10.7 Further Assistance

The Executive agrees to assist the Company in every proper way (but at the Company's expense) to obtain and, from time to time, at the Company's expense, enforce the Intellectual Property Rights and to the Inventions in any and all countries, and to that end will execute all documents for use in applying for, obtaining and enforcing the Intellectual Property Rights in and to such Inventions as the Company may desire, together with any assignments of such Inventions to the Company or persons designated by it. The Executive's obligation to assist the Company in obtaining and enforcing such Intellectual Property Rights in any and all countries shall continue beyond the termination of this Agreement.

Section 10.8 Representations and Warranties

The Executive hereby represents and warrants that as of the Effective Date of this Agreement and during the term of this Agreement, the Executive is subject to no contractual or other restriction or obligation that will in any manner limit the Executive's obligations under this Agreement or activities on behalf of the Company. The Executive hereby represents and warrants to the Company that the Executive has no continuing obligations to any person (a) with respect to any Invention or (b) that require the Executive not to disclose the same.

ARTICLE 11- OTHER PROVISIONS**Section 11.1 Waivers and Amendments**

This Agreement may be amended, modified, superseded, cancelled, renewed or extended, only by a written agreement between the Parties. Failure or delay by either Party to enforce compliance with any term or condition of this Agreement shall not constitute a waiver of such term or condition.

Section 11.2 Entire Agreement

This Agreement constitutes the entire understanding and agreement of the parties hereto concerning the subject matter hereof, and supersede all prior or contemporaneous written or oral understandings or agreements of the parties, and there are no other agreements or understandings between the parties.

Section 11.3 No Representation or Claims

The Executive agrees that the Executive has not been induced to enter into this Agreement by reason of any statement, representation, understanding or promise not expressly set out in this Agreement. The Executive has no claim against the Company arising from any Services provided by the Executive to the Company in any capacity prior to the effective date of this Agreement.

Section 11.4 Governing Law

The situs of this Agreement is Vancouver, British Columbia, Canada, and for all purposes this Agreement will be governed exclusively by and construed and enforced in accordance with the laws prevailing in the Province of British Columbia, Canada, and the federal laws of Canada applicable thereto. Notwithstanding the foregoing, any matters appurtenant hereto which are covered by United States securities and/or intellectual property laws shall be governed by and construed and enforced in accordance therewith. Each of the Executive and the Company hereby irrevocably attorns and submits to the exclusive jurisdiction of the courts of the Province of British Columbia, Canada with respect to any dispute related to this Agreement.

Section 11.5 Notices

Any notice or other communication or writing required or permitted to be given under this Agreement or for the purposes of this Agreement will be in writing and will be sufficiently given if delivered personally, or if feasible transmitted by facsimile transmission (with original to follow by mail) or other form of recorded communication, tested prior to transmission, to:

(a) if to the Company:

AgriFORCE Growing Systems Ltd.
Suite 600
777 Hornby Street
Vancouver, BC V6Z 1S4
Attention:

E-mail:

(b) if to the Executive:

Troy McClellan
#74, 2100 Salish Drive
Vancouver, BC V6N 3M2

E-mail: prokko69@hotmail.com

or to such other address as the Party to whom such notice is to be given will have last notified the Party giving the same in the manner provided in this section. Any notice so delivered will be deemed to have been given and received on the day it is so delivered at such address; provided that such day is not a Business Day (as herein defined) then the notice will be deemed to have been given and received on the Business Day next following the day it is so delivered. Any notice so transmitted by facsimile transmission, email or other form of recorded communication will be deemed to have been given and received on the

day of its confirmed transmission (as confirmed by the transmitting medium), provided that if such day is not a Business Day then the notice will be deemed to have been given and received on the Business Day next following such day. "Business Day" means any day that is not a Saturday, Sunday or civic or statutory holiday in the Province of British Columbia, Canada.

Section 11.6 Assignment

The Executive may not assign this Agreement or any right or obligation under it.

Section 11.7 Survival

The obligations of Article 7, Article 8, Article 9, and Article 10 shall survive the termination of this Agreement.

Section 11.8 Severability

If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof shall continue in full force and effect. The Parties agree to negotiate in good faith to agree to a substitute provision which shall be as close as possible to the intention of any invalid or unenforceable provision as may be valid or enforceable.

Section 11.9 Independent Legal Advice

The Executive acknowledges that the Company has recommended that the Executive obtain independent legal advice with respect to this Agreement, and that the Executive has had a reasonable opportunity to do so prior to executing this Agreement.

Section 11.10 Enurement

This Agreement will enure to the benefit of and will be binding upon the Parties and their respective heirs, executors, administrators and assigns.

Section 11.11 Further Assurances

The Parties will from time to time after the execution of this Agreement make, do, execute or cause or permit to be made, done or executed, all such further and other acts, deeds, things, devices and assurances in law whatsoever as may be required to give full force and effect to this Agreement.

Section 11.12 Personal Information

The Executive acknowledges that the Company is obligated to comply with the British Columbia Personal Information Protection Act and with any other applicable legislation governing the collection, use, storage and disclosure of personal information. The Executive agrees to comply with all Company personal information protection policies and with other policies, controls and practices as they may exist, from time to time, in seeking to ensure that the Executive and the Company engage only in lawful collection, storage, use and disclosure of personal information. The Executive acknowledges that the Executive may be required by the Company to complete a personal information form for NASDAQ and have it notarized and delivered to NASDAQ.

Section 11.13 Captions

The headings, captions, article, section and subsection numbers appearing in this Agreement are inserted for convenience of reference only and shall in no way define, limit, construe or describe the scope or intent of this Agreement nor in any way affect this Agreement.

Section 11.14 Counterparts

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF the Parties have executed this agreement as of the date inserted on page one with intended effect from the Effective Date.

AGRIFORCE GROWING SYSTEMS LTD.

By: _____
Name: Ima Schueller
Title: CEO

Signed, Sealed and Delivered by **Troy McClellan**
in the presence of:

Richard Wong

Witness (Signature)

Richard Wong

Name (please print)

Richard Wong

Address

777 Hornby Street, Suite 600

City, Province

CFO

Occupation

T 

Schedule A

The President of AgriFORCE Solutions is responsible for developing and executing the commercial development strategy to deliver and to leverage AgriFORCE IP and solutions across multiple agriculture verticals i.e. Grow(Tech), Green(Tech), Food(Tech), and Field(Tech), in a manner that supports consistent business growth, robust financial returns and establishes brand equity and awareness to provide businesses and markets more sustainable and better-quality crops, operations, systems, facilities, and environments. The President of AgriFORCE Solutions will work closely with the CEO, CBDO, CFO and President AgriFORCE Brands to set a strategic course to deliver the commercial development strategy through both internal growth and M&A with a focus on two key drivers:

- Providing the Company's business to consumer (AgriFORCE Brands) optimized solutions that create unique value propositions and brand narratives focused on the Company's IP and superior operating outcomes.
- Leveraging the AgriFORCE Solutions group companies' know-how to drive revenue and earnings growth whilst creating operational and R&D efficiencies.

This position is responsible for strategy, planning, organization, staffing, training and managing all functions to achieve Company objectives of IP development, growth, profitability, and visibility while ensuring a consistent corporate direction across all AgriFORCE Solutions group companies.

MAIN DUTIES:

- Work with CEO, CBDO, President AgriFORCE Brands, CFO and Director M&A to identify opportunities and criteria for acquiring companies and IP to complement organic growth, in particular to drive revenue and earnings to accomplish strategic objectives;
- Work with Company M&A Director and CBDO as well as AgriFORCE Solutions group companies' executive leadership teams to expand M&A target universe for accretive value growth through M&A for each of the group companies;
- Create Solutions strategy to leverage Company IP and unique value proposition and points of differentiation across multiple unique verticals both as a Company brand(s) and the development and introduction of Solutions with a focus on determining the appropriate strategy with respect to B2B and B2C within each vertical;
- Work with Company M&A partners to assimilate and evolve brand within brand strategies and narrative where applicable;
- Develop unique value propositions and positioning narratives to drive the Company's branding efforts whilst developing opportunities to improve brand awareness with each of the AgriFORCE Solutions group companies to drive organic growth and overall brand awareness;

- Work on setting strategic direction and business planning with the CBDO and other group company executive leadership teams to formulate group company business plans to not only enhance individual company performance but to develop strategies that drive group efficiencies and group innovation;
- Work with AgriFORCE Brands on product development; identifying key opportunities to develop the Company's own Solutions and/or products centered on unique points of differentiation and IP in respective sectors;
- Create, prioritize, manage, coordinate, align and execute all sales and marketing strategies and implement tactical plans that meet and exceed company expectations including the prioritization of resources to achieve the highest ROI across verticals developing key indicators to measure efficiency and effectiveness of marketing programs;
- Conduct and analyze market research to determine competitiveness with direct and indirect competing businesses, facilities, and solutions;
- Develop a strong vision and leadership management team together with developing a culture of innovation to enhance brand, partners, and collaboration;
- Coach, mentor and empower the team's ability to deliver and exceed expectations;
- Research and analyze demographic / market sector / tech characteristics and trends, providing regular and consistent feedback for business development particular to current and potential Solutions partners, driving business development to identify both new markets and opportunities;
- Together with the CBDO provide regular insight and recommendations into market trends and IP development opportunities to the CEO, CFO and President AgriFORCE Brands;
- Establish and implement short- and long-range department goals and objectives;
- Establish and maintain the highest quality organizational standards with active participation and enforcement in the ISO 9000 quality committee.



EXECUTIVE EMPLOYMENT AGREEMENT

Dated as of July 15, 2021

Between

AGRIFORCE GROWING SYSTEMS LTD.
(the "Company")

and

Mauro Pennella
(the "Executive")

LEGAL_31475842.1



EXECUTIVE EMPLOYMENT AGREEMENT

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EXECUTIVE EMPLOYMENT AGREEMENT

This Agreement is dated as of the **July 15, 2021** between

AGRIFORCE GROWING SYSTEMS LTD., a company incorporated pursuant to the laws of the Province of British Columbia, Canada with an address at #600, 777 Hornby Street, Vancouver, British Columbia V6Z 1S4

(the "Company")

and

Mauro Pennella with an address at 344 Chestnut Hill Road, Norwalk, CT 06851 USA

(the "Executive")

RECITALS

A. The Company is in the business of as a company specializing in the delivery of products and services to the agricultural technology industry.

B. The Executive is the *President AgriForce Brands and Chief Marketing Officer AgriForce Growing Systems Ltd.* **President/Chief Marketing Officer – AgriFORCE Brands** of the Company.

C. The Company and the Executive wish to enter into this Agreement pursuant to which the Executive will be employed as the *President* **President/Chief Marketing Officer – AgriFORCE Brands** of the Company on the terms and conditions set forth in this Agreement.

D. The Executive is in the process of seeking to relocate to Vancouver, British Columbia and has applied to obtain visa status that will grant the Executive the legal entitlement to work in Canada.

NOW THEREFORE THIS AGREEMENT WITNESSETH that, in consideration of the mutual covenants and provisos herein contained, **THE PARTIES AGREE AS FOLLOWS:**

ARTICLE 1—TERM

Section 1.1 Indefinite Term

The term of the Executive's employment by the Company under this Agreement is indefinite and will commence on **July 15, 2021** and shall thereafter continue unless and until such employment is earlier terminated by either party as hereinafter provided. For purpose of this Agreement, the Effective Date is deemed to be **July 15, 2021**.

ARTICLE 2- TITLE, SERVICES, REPORTING AND DUTIES

Section 2.1 Title and Services

(1) The Executive will continue to perform the duties and responsibilities normally and reasonably associated with the office of *President AgriForce Brands and Chief Marketing Officer AgriForce Growing Systems Ltd.* **(President/Chief Marketing Officer – AgriFORCE Brands)** which will include, without limitation, those services set out in Schedule "A" (collectively, the "Services").

- (2) The Executive's shall be employed to provide the Services on a full-time basis.
- (3) The Executive agrees that the Executive's duties and responsibilities may be modified as mutually agreed to by the Parties, each acting reasonably.
- (4) The Executive will report to the board of directors of the Company (the "Board"), and will undertake and perform the Services.

Section 2.2 Conditions

The Executive's employment under this Agreement is generally conditional upon the Executive maintaining any required regulatory approvals for his involvement as a public company officer with any stock exchange, securities commission or like authority; remaining a person of good repute; and, if applicable, maintaining, in good standing, his professional qualification.

Section 2.3 Subsidiaries

The Executive will perform the Services on behalf of the Company and its subsidiaries. Accordingly, in this Agreement, the term "the Company" means the Company and all of its subsidiaries.

[In the event that the Company is acquired (either directly or through a series of transactions) by a publicly traded company (a "Pubco") in connection with a going public transaction (a "Going Public Transaction"), the Company will be deemed to include the Pubco or any successor organizations.]

Section 2.4 Duties

- (1) The Executive acknowledges that, as a senior officer of the Company, the Executive will owe a fiduciary duty to the Company.
- (2) The Executive will also:
 - (a) devote full-time effort and attention to the business and affairs of the Company;
 - (b) perform the Services in a competent and efficient manner and in a manner consistent with the Executive's fiduciary obligations to the Company as an executive officer thereof and in compliance with all reasonable Company policies of which the Executive is made aware, and will carry out all lawful instructions and directions from time to time given to the Executive in relation to the performance of the Services;
 - (c) use all commercially reasonable efforts to promote the interests and goodwill of the Company;
 - (d) comply with all Company policies and codes of business ethics, as adopted by the Board from time to time, including the Company's confidentiality and insider trading policies;
 - (e) not undertake any other business or occupation or become a director or officer, employee or agent of any other company, firm, society or person without prior written approval of the Board of Directors.
- (3) The Executive warrants that the Executive shall perform the Services and conduct his other activities in a manner which is lawful and reputable and which is designed to bring good repute to the



Company, the Company's business interests and the Executive. In particular, and in this regard, the Executive specifically agrees to provide the Services in a sound and professional manner consistent with performance quality standards of the industry and otherwise in accordance with the terms of this Agreement. In the event that the Board of Directors has a reasonable concern that the Services as performed by the Executive are being conducted in a way contrary to law or are reasonably likely to bring disrepute to the business interests or to the Company's or the Executive's reputation, the Company may require that the Executive make such alterations in the Executive's activities, as the Board of Directors may reasonably require in its sole and absolute discretion to the extent necessary to address such reasonable concerns.

(4) The Executive will not knowingly breach, and will take all reasonable steps to inform himself about compliance with, all Canadian and foreign laws, whether federal, provincial or state, applicable to the Executive's respective duties and obligations hereunder. In particular, the Executive acknowledges the application of securities laws and his status as an "insider" as defined by such laws in connection with the trading in the Company's stock and dealing with its confidential information.

ARTICLE 3- PLACE OF EMPLOYMENT

Section 3.1 Vancouver Based

The Executive will provide Services based from the Company's Vancouver offices, but understands some travel may be necessary to where the Company currently or may in the future conduct business to the extent reasonably required to perform the Services.

Section 3.2

The Executive acknowledges and agrees that it is a continued condition of his employment with the Company pursuant to this Agreement that the Executive will be legally entitled to work in Canada and provide the employment services to the Company based from the Company's Vancouver offices. In order to satisfy this condition, the Executive will use best efforts to submit a visa application and to pursue the granting of a visa by the Government of Canada with the objective of being legally entitled to work in Canada by August 31 2021. The Company will use reasonable commercial efforts to assist the Executive with the Executive's application, as reasonably required to facilitate the granting of the visa. In the event that the Executive is not legally entitled to work in Canada by August 31, 2021, then each party will have the right to terminate this Agreement in accordance with the provisions of Section 7.7 of this Agreement.

ARTICLE 4- COMPENSATION AND BENEFITS

Section 4.1 Base Salary

The Executive shall receive an annual base salary of **C\$350,000** as it may be adjusted from time to time in accordance with this Agreement (the "**Base Salary**"). All such Base Salary will be due and payable by the Company to the Executive pro rata on a semi-monthly basis in arrears, net of applicable statutory deductions, in a manner consistent with the general payroll practice of the Company, or at such other time and in such other manner as the Executive and the Company may agree, from time to time.



Section 4.2 Increase in Base Salary

The Company will review, at least annually, the Base Salary payable to the Executive from time to time during the continuance of this Agreement. The Company may, in its discretion, increase (but not decrease) the Base Salary depending on the Executive's performance of the Services and having due regard to the financial circumstances of the Company.

Section 4.3 Shares

As part of the Executive's compensation, the Executive shall be issued a number of shares of the Company's common stock equal to **\$150,000** annually; **divided** by the average volume weighted average price of the Company's common stock for the five trading days immediately preceding the date of issuance (the "Compensation Shares"). Shares shall be issued on a quarterly basis, in arrears, on the last trading day of each calendar quarter.

As a condition of receiving the Compensation Shares, the Executive agrees to enter into any lock-up agreement or escrow agreement required or considered reasonably necessary by the Company to enable the Company to list its common shares on any stock exchange or public market, or to complete any future public or private offering of its securities. For the purposes of this Agreement, (i) a lock-up agreement includes, without limitation, an agreement between the Executive, the Company and any underwriter or agent in connection with a financing or listing including restrictions on resale of the Common Shares, and (ii) an escrow agreement includes, without limitation, an agreement between the Executive, the Company and any trustee or agent engaged by the Company to act as escrow agreement in connection with the listing of the Company's common shares and providing for the deposit of the Compensation Shares into escrow subject to an escrow release period. The Executive further acknowledges that (i) the Compensation Shares may be subject to restrictions on resale imposed under applicable securities rules, and (ii) the issuance of the Compensation Shares will be subject to stock exchange approval upon listing of the common shares of the Company. The Company will use commercially reasonable efforts to obtain such required stock exchange approvals.

Section 4.4 Increase in Shares

The Company will review, at least annually, the Shares payable to the Executive from time to time during the continuance of this Agreement. The Company may, in its discretion, increase (but not decrease) the Shares depending on the Executive's performance of the Services and having due regard to the financial circumstances of the Company.

Section 4.5 Performance Bonuses

The Executive may receive, but is not guaranteed, an annual cash bonus of 30% of base salary at target and up to 100% of base salary based on performance targets established by the Board from time to time (the "Bonus"), provided that the setting of performance targets and the grant of any Bonus is at the sole discretion of the Board.

Section 4.6 Stock Options

The Executive will be eligible to participate in the Company's stock option plan, as in effect from time to time, (the "Stock Option Plan"). All grants of stock options made to the Executive will be made in accordance with and subject to the terms of the Stock Option Plan (including after applicable blackout periods) and subject to approval of the Board and any stock exchange on which the Company's shares are



traded. The grant of any stock options will be made at the discretion of the Board in accordance with the terms of the Stock Option Plan. The Executive acknowledges that the Board will be entitled to impose vesting conditions in connection with any grant of options. The Executive will be entitled to receive 9% of the new options to be allocated upon the exercise of the current granted options. These options shall be granted at the IPO price and within one week of the IPO. Based on current recommendations from management it is expected that the number of options to be granted to the Executive as of the effective date of this agreement, will be approximately 103,000 to be vested over 3 years.

Section 4.7 Group Insurance and Health Benefits

The Executive will be eligible to participate in, and the Company will pay the premiums in respect of, any group medical and dental insurance, health, extended health, life, long-term disability, and accidental death and dismemberment insurance and pension plans applicable to the executives of the Company from time to time (together, the "Benefits"). Entitlement to the Benefits under any plan shall be determined by the plan carrier in accordance with the terms and conditions of such plan.

It is understood that the Executive and his dependants are currently covered by a Cigna Platinum policy for which the Executive is not required to pay the premiums. Should the Executive be required to pay the premiums of this policy, the Company will reimburse the Executive for 50% of the monthly premiums for a period of up to two (2) years from the effective date of this Agreement. The Executive will be expected to sign onto the Company's Group Insurance and Health Benefits plan no later than two (2) years from the effective date of this Agreement.

Section 4.8 Travel Benefit

The Company will purchase or pay the Executive the equivalent of; airfare for four (4) round trip (Business Class) per year between Vancouver and New York.

Section 4.9 Payment of Compensation and Status as a Taxable Employee

It is hereby also acknowledged and agreed that the Executive will be classified as a taxable employee of the Company for all purposes, such that all compensation which is provided by the Company to the Executive under this Agreement, or otherwise, will be calculated and payable on a net basis for which all required statutory taxes will first be deducted by the Company and remitted on behalf of the Executive to all applicable taxation authorities in each instance.

ARTICLE 5- ANNUAL VACATION

Section 5.1 Period

The Executive will be entitled to **four (4)** weeks of paid vacation during each calendar year, to be taken at a time or times that are approved by the Company, taking into account the operational requirements of the Company and the need for timely performances of the Services. The Executive will also generally be entitled to all statutory holidays, though the performance of the Services may require that the Executive work on such days, for which the Executive will not be compensated or given time in lieu thereof. Unused vacation may be carried over for up to twenty-four months after the completion of each fiscal year after which time it will be paid out.



ARTICLE 6- EXPENSES

Section 6.1 Reimbursement of Expenses

The Company will reimburse the Executive for all pre-approved and reasonable travel (other than auto) and other out-of-pocket expenses incurred by the Executive directly related to the performance of the Services (collectively, the "Expenses"). The Executive will account for such Expenses in accordance with the policies and directions provided by the Company from time to time.

Section 6.2 Relocation Assistance

The Company will provide private, furnished accommodation to the Executive for the first three (3) months of employment. Relocation assistance will be provided to the Executive as outlined in the Company's Relocation Assistance Policy & Procedures document in Schedule B. The amount specified for a move of 4001 KM or more may be applied to the purchase of furniture and household goods.

ARTICLE 7- TERMINATION

Section 7.1 Definitions

In this Agreement:

- (a) **"Just Cause"** means any material breach of this agreement and any act, omission, behaviour, conduct or circumstance of the Executive that constitutes just cause for dismissal of the Executive at common law, including an act involving gross negligence, or wilful misconduct, commission or a felony, becoming bankrupt, or any material omission in the performance of Services, or the doing or condoning any unlawful or manifestly improper act; and
- (b) **"Change In Control"** means either: (i) a merger or acquisition in which the Company is not the surviving entity; except for a transaction the principal purpose of which is to change the incorporating jurisdiction of the Company; (ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company; or (iii) any other corporate reorganization or business combination in which 50% or more of the outstanding voting stock of the Company is transferred, or exchanged through merger, to different holders in a single transaction of the Company or in a series of related transactions completing within 12 months. For the purposes of this Agreement, Change of Control" does not include a Going Public Transaction.
- (c) **"Constructive Dismissal"** includes, but shall not be limited to a demotion in either title or within the Company organizational structure or a change in the duties of the Executive, any changes in the fundamental terms of this Agreement without the consent of the Executive and to the detriment of the Executive.
- (d) **"Effective Date of Termination"** means the date on which this Agreement has been terminated in accordance with the terms set forth herein.



Section 7.2 Termination by the Company for Just Cause

- (1) The Company may terminate the employment of the Executive under this Agreement summarily, without any notice or any payment in lieu of notice, for Just Cause.
- (2) The Executive acknowledges that the Company's stock option plan provides for immediate termination of any unexercised Stock Option, even if vested, upon dismissal for Just Cause.

Section 7.3 Voluntary Termination by the Executive

The Executive may terminate the Executive's employment under this Agreement for any reason by providing not less than 30 calendar days' notice in writing to the Company; provided, however, that the Company may waive or abridge any notice period specified in such notice in its sole and absolute discretion.

Section 7.4 Death of the Executive

The employment of the Executive will terminate upon the death or determination of the permanent disability of the Executive which renders performance of the Services contemplated hereby impossible.

Section 7.5 No Payments in Certain Events

Upon either:

- (a) termination for Just Cause in accordance with Section 7.2 herein; or
- (b) by the voluntary termination of employment by the Executive in accordance with Section 7.3 herein,

the Executive will be entitled to compensation earned by the Executive before the Effective Date of Termination calculated pro rata up to and including the Effective Date of Termination, reimbursement of any outstanding expenses as of the Effective Date of Termination and any outstanding Vacation pay as of the Effective Date of Termination but will not be entitled to any severance or other payments under this Agreement or otherwise.

Section 7.6 Payments in the Event of Termination by Company Without Just Cause

The Company will, if it elects for convenience to terminate the employment of the Executive, or if there is Constructive Dismissal of the Executive, provide the Executive with the following as soon as practicable following the Effective Date of Termination:

- (a) payment of the total of:
 - (i) severance in lieu of notice equal to twelve months of the then Base Salary only;
 - (ii) issuance of Compensation Shares as at the Effective Date of Termination, to the extent that such Compensation Shares have not been issued in full;
 - (iii) any cash bonus at target earned but not paid as at the Effective Date of Termination;



- (iv) any outstanding Vacation pay as at the Effective Date of Termination; and
- (v) any outstanding Expenses as at the Effective Date of Termination;
- (b) maintain the Executive's then Group Benefits for twelve months from the Effective Date of Termination;
- (c) subject to the Company's then stock option plan and the rules and policies of any regulatory authority and stock exchange having jurisdiction over the Company, allow for the Executive to then exercise any unexercised and fully vested portion of the Stock Option on the Effective Date of Termination at any time during 30 calendar days from the Effective Date of Termination.

Section 7.7 Payments in the Event of Termination that the Executive is not Legally Entitled to Work in Canada

In the event that the Executive has not obtained the required legal entitlement to work in Canada by August 31, 2021 or ceases to have such right at any time thereafter, either the Company or the Executive may terminate this Agreement by written notice to the other, in which case the Company's obligations will be limited to the following:

- (a) Payment of the total of:
 - (i) Any unpaid Base Salary (and cash bonus at target only) through to the Effective Date of Termination, calculated on a pro rata basis;
 - (ii) Any outstanding Vacation pay as at the Effective Date of Termination; and;
 - (iii) Any outstanding Expenses as at the Effective Date of Termination;
- (b) Issuance of Compensation Shares for the period from July 15, 2021 to the Effective Date of Termination, to the extent that such Compensation Shares have not been issued in full;
- (c) Maintain the Executive's then Group Benefits for three months from the Effective Date of Termination;
- (d) Subject to the Company's then stock option plan and the rules and policies of any regulatory authority and stock exchange having jurisdiction over the Company, allow for the Executive to then exercise any unexercised and fully vested portion of the Stock Option on the Effective Date of Termination at any time during 30 calendar days from the Effective Date of Termination.



For clarity, upon termination under this Section 7.7, the Company will not have any obligation to pay the Executive any severance or termination payment or payment in lieu of notice to the Executive and its payment obligations will be limited as described above in paragraphs (a) to (d) of this Section 7.7

Section 7.8 Payments in the Event of Termination upon a Change In Control

If at any time within 12 months after the occurrence of a Change of Control either (i) the Company terminates the Executive's employment without Just Cause, or (ii) the Executive terminates the Executive's employment as a result of a Constructive Dismissal, the Company will as soon as practicable following the Effective Date of Termination:

- (a) pay the total of:
 - (i) severance in lieu of notice equal to twelve months of the then Base Salary only;
 - (ii) issuance of Compensation Shares as at the Effective Date of Termination, to the extent that such Compensation Shares have not been issued in full;
 - (iii) any cash bonus at target earned but not paid as at the Effective Date of Termination;
 - (iv) any outstanding Vacation pay as at the Effective Date of Termination; and
 - (v) any outstanding Expenses as at the Effective Date of Termination;
- (b) maintain the Executive's then Group Benefits for a period of twelve months from the Effective Date of Termination;
- (c) subject to the Company's then stock option plan and the rules and policies of any regulatory authority and stock exchange having jurisdiction over the Company, allow for the Executive to then exercise any unexercised and fully vested portion of the Stock Option on the Effective Date of Termination at any time during 90 calendar days from the Effective Date of Termination.

Section 7.9 Executive to Provide Release and Resignation

As of the Effective Date of Termination and so soon thereafter as practicable and as a condition of receiving payments provided for under this Agreement upon termination, the Executive will execute and deliver to the Company a full and final release of the Company, in the form which shall be in the form mutually agreed upon within 15 days of the Effective Date of this Agreement, in respect of the Executive's employment under this Agreement and otherwise against payments of amounts due the Executive hereunder. The Executive will concurrently provide a written resignation from any office held in the Company or any affiliate as of Effective Date of Termination.

Section 7.10 Manner of Payment

The Company shall pay the amounts referred to in Section 7.5, Section 7.6, Section 7.7 and Section 7.8 herein in a lump sum payment within fourteen business days after receipt by the Company of the executed full and final release referred to in Section 7.9 herein.



Section 7.11 Return of Assets and Documents

All documents and materials in any form or medium and including, but not limited to, files, forms, brochures, books, correspondence, memoranda, manuals and lists (including lists of customers, suppliers, products and prices), all equipment and accessories and again including, but not being limited to, leased automobiles, computers, computer disks, software products, cellular phones and personal digital assistants, all keys, building access cards, parking passes, credit cards, and other similar items pertaining to the business of the Company that may come into the possession or control of the Executive, will at all times remain the property of the Company and, on termination of the Executive's employment for any reason, the Executive will promptly deliver to the Company all property of the Company in the possession of the Executive or directly or indirectly under the control of the Executive, and will not reproduce or copy any such property or other property of the Company.

ARTICLE 8- CONFIDENTIALITY

Section 8.1 Confidential Information

- (1) The Executive acknowledges that:
 - (a) the Executive may, during the course of employment with the Company, acquire information which is confidential in nature or of great value to the Company and its subsidiaries including, without limitation, matters or subjects concerning its business plan, corporate assets, cost and pricing data, customer listing, financial reports, formulae, inventions, know-how, marketing strategies, products or devices, research and development projects and findings, computer programs, suppliers, and trade secrets, whether in the form of records, files, correspondence, notes, data, information, or any other form, including copies or excerpts thereof (collectively, the "**Confidential Information**"); the disclosure of any of which to competitors, customers, clients or suppliers of the Company, unauthorized personnel of the Company or to third parties would be highly detrimental to the best interests of the Company; and
 - (b) the right to maintain the confidentiality of Confidential Information, and the right to preserve the Company's goodwill, constitute proprietary rights which the Company is entitled to protect.
- (2) The Executive will, while employed with the Company and at all times thereafter:
 - (a) hold all Confidential Information that the Executive receives in trust for the sole benefit of the Company and in strictest confidence;
 - (b) protect all Confidential Information from disclosure and will not take any action that could reasonably be expected to result in any Confidential Information losing its character as Confidential Information, and will take all reasonable lawful action necessary to prevent any Confidential Information from losing its status as Confidential Information; and
 - (c) neither, except as required in the course of performing duties and responsibilities under this Agreement, directly or indirectly use, publish, disseminate or otherwise disclose any Confidential Information to any unauthorized personnel of the Company or to any third party, nor use Confidential Information for any purpose other than the purposes of the



Company, without the prior written consent of the Company, which consent may be withheld in the Company's sole and absolute discretion.

(3) The restrictions on the Executive's use or disclosure of all Company Information, as set forth in this Article 8, shall continue following the expiration or termination of the Executive's employment with the Company regardless of the reasons for or manner of such termination.

(4) Notwithstanding Section 8.1(2) herein, the Executive may, if and solely to the extent required by lawful subpoena or other lawful process, disclose Confidential Information but, to the extent possible, shall first notify the Company of each such requirement so that the Company may seek an appropriate protective order or waive compliance with the provisions of this Agreement. The Executive will cooperate fully with the Company at the expense of the Company in seeking any such protective order.

(5) The Executive acknowledges that the Company is a reporting company within the meaning of the federal securities laws and regulations of the United States and that it is bound by all such laws and regulations as they pertain to the executives of such companies, including all restrictions on insider trading, and that it may not trade in the securities of the Company without complete compliance with all such laws and regulations and policies of the Company, including the duty to pre clear any such trades with the Company's counsel, and only during periods in which the Company has opened a trading window for executives. In addition, the Executive will agree to be bound by all codes of ethics and business conduct and policies governing disclosure of confidential information, trading in securities and other matters adopted from time-to-time by the Company and generally applicable to executives of the Company.

ARTICLE 9- NON-COMPETITION AND NON-SOLICITATION

Section 9.1 Non-Competition and Payments for Enforcement by the Company during Restricted Period

(1) The Executive acknowledges that the Executive's Services under this Agreement are of special, unique and extraordinary character which give the Executive value to the Company; the loss of which cannot adequately be compensated in damages or by an action at law. In addition to, and not in limitation of any other restrictive covenant which may be binding on the Executive, the Executive shall not anywhere in Canada, for a period equal to the length of time determined by severance in lieu of notice, after the termination of this Agreement (the "Restricted Period" herein) for any reason in any manner whatsoever:

- (a) carry on, engage in, or be concerned with or interested in; or
- (b) permit the Executive's name or any part thereof to in any manner whatsoever to be used or connected with any business that is, or any interest in any business that is,

or involves to any material degree, a business competitive to the business of the Company.

(2) The Executive agrees that:

- (a) all restrictions contained in Section 9.1 herein are reasonable and valid in the circumstances and all defences to the strict enforcement thereof by the Company are hereby waived by the Executive;



- (b) the remedy available to the Company at law for any breach by him of Section 9.1 herein will be inadequate and that the Company, on any application to a Court, shall be entitled to temporary and permanent injunctive relief against the Executive without the necessity of proving actual damage to the Company; and
- (c) if the foregoing covenant is found to be unreasonable to any extent by a court of competent jurisdiction adjudicating upon the validity of the covenant, whether as to the scope of the restriction, the area of the restriction or the duration of the restriction, then such restriction shall be reduced to that which is in fact declared reasonable by such court, or a subsequent court of competent jurisdiction, requested to make such a declaration.

Section 9.2 Non-Solicitation

The Executive hereby agrees that the Executive will not, during the period commencing on the Effective Date hereof and ending one year following the termination or expiration of this Agreement for any reason, be a party to or abet any solicitation of employees, customers, clients, referral services, consultants or suppliers of the Company or any of its subsidiaries, to transfer business from the Company or any of its subsidiaries to any other person, or seek in any way to persuade or entice any employee of the Company or any of its subsidiaries to leave that employment or to be a party to or abet any such action.

ARTICLE 10- OWNERSHIP OF INTELLECTUAL PROPERTY

Section 10.1 Definitions

In this Agreement, "Inventions" means, collectively, all:

- (a) discoveries, inventions, ideas, suggestions, reports, documents, designs, technology, methodologies, compilations, concepts, procedures, processes, products, protocols, treatments, methods, tests, improvements, work product and computer programs (including all source code, object code, compilers, libraries and developer tools, and any manuals, descriptions, data files, resource files and other such materials relating thereto) (collectively the "Materials"), and
- (b) each and every part of the foregoing,

that are conceived, developed, reduced to practice or otherwise made by the Executive either alone or with others or, in any way, relate to the present or proposed programs, services, products or business of the Company, or to tasks assigned to the Executive in connection with the Executive's duties or in connection with any research or development carried on or planned by the Company, whether or not such Inventions are conceived, developed, reduced to practice or otherwise made during the Executive's employment or during regular working hours and whether or not the Executive is specifically instructed to conceive, develop, reduce to practice or otherwise make same.

Section 10.2 Exclusive Property

The Executive agrees that all Inventions, and any and all services and products which embody, emulate or employ any such Invention, shall be the sole property of the Company and all copyrights, patents, patent rights, trademarks, service marks, reproduction rights and all other proprietary title, rights



and interest in and to each such Invention, whether or not registrable (collectively, the "Intellectual Property Rights"), shall belong exclusively to the Company.

Section 10.3 Work for Hire

For purposes of all applicable copyright laws to the extent, if any, that such laws are applicable to any such Invention or any such service or product, it shall be considered a work made for hire and the Company shall be considered the author thereof, including without limitation under the pertinent laws and regulations of the United States, including but not limited to all provisions of Title 17 of the United States Code, as amended from time to time.

Section 10.4 Disclosure

The Executive will promptly disclose to the Company, or any persons designated by it, all Inventions and all such services or products.

Section 10.5 Assignment

The Executive hereby assigns and further agrees to, from time to time as such Inventions arise, assign to the Company or its nominee (or their respective successors or assigns) all of the Executive's right, title and interest in and to the Inventions and the Intellectual Property Rights without further payment by the Company.

Section 10.6 Moral Rights

The Executive hereby waives and further agrees to, from time to time as such Inventions arise, waive for the benefit of the Company and its successors or assigns all the Executive's moral rights in respect of the Inventions.

Section 10.7 Further Assistance

The Executive agrees to assist the Company in every proper way (but at the Company's expense) to obtain and, from time to time, at the Company's expense, enforce the Intellectual Property Rights and to the Inventions in any and all countries, and to that end will execute all documents for use in applying for, obtaining and enforcing the Intellectual Property Rights in and to such Inventions as the Company may desire, together with any assignments of such Inventions to the Company or persons designated by it. The Executive's obligation to assist the Company in obtaining and enforcing such Intellectual Property Rights in any and all countries shall continue beyond the termination of this Agreement.

Section 10.8 Representations and Warranties

The Executive hereby represents and warrants that as of the Effective Date of this Agreement and during the term of this Agreement, the Executive is subject to no contractual or other restriction or obligation that will in any manner limit the Executive's obligations under this Agreement or activities on behalf of the Company. The Executive hereby represents and warrants to the Company that the Executive has no continuing obligations to any person (a) with respect to any Invention or (b) that require the Executive not to disclose the same.



ARTICLE 11- OTHER PROVISIONS

Section 11.1 Waivers and Amendments

This Agreement may be amended, modified, superseded, cancelled, renewed or extended, only by a written agreement between the Parties. Failure or delay by either Party to enforce compliance with any term or condition of this Agreement shall not constitute a waiver of such term or condition.

Section 11.2 Entire Agreement

This Agreement constitutes the entire understanding and agreement of the parties hereto concerning the subject matter hereof, and supersedes all prior or contemporaneous written or oral understandings or agreements of the parties, and there are no other agreements or understandings between the parties.

Section 11.3 No Representation or Claims

The Executive agrees that the Executive has not been induced to enter into this Agreement by reason of any statement, representation, understanding or promise not expressly set out in this Agreement. The Executive has no claim against the Company arising from any Services provided by the Executive to the Company in any capacity prior to the effective date of this Agreement.

Section 11.4 Governing Law

The situs of this Agreement is Vancouver, British Columbia, Canada, and for all purposes this Agreement will be governed exclusively by and construed and enforced in accordance with the laws prevailing in the Province of British Columbia, Canada, and the federal laws of Canada applicable thereto. Notwithstanding the foregoing, any matters appurtenant hereto which are covered by United States securities and/or intellectual property laws shall be governed by and construed and enforced in accordance therewith. Each of the Executive and the Company hereby irrevocably attorns and submits to the exclusive jurisdiction of the courts of the Province of British Columbia, Canada with respect to any dispute related to this Agreement.

Section 11.5 Notices

Any notice or other communication or writing required or permitted to be given under this Agreement or for the purposes of this Agreement will be in writing and will be sufficiently given if delivered personally, or if feasible transmitted by facsimile transmission (with original to follow by mail) or other form of recorded communication, tested prior to transmission, to:

(a) if to the Company:

AgriFORCE Growing Systems Ltd.
Suite 600
777 Hornby Street
Vancouver, BC V6Z 1S4
Attention: Ingo Mueller

E-mail: imueller@agriforcegs.com

(b) if to the Executive:



Mauro Pennella
344 Chestnut Hill Road
Norwalk, CT 06851 USA
E-mail: mauro.pennella@icloud.com

or to such other address as the Party to whom such notice is to be given will have last notified the Party giving the same in the manner provided in this section. Any notice so delivered will be deemed to have been given and received on the day it is so delivered at such address; provided that such day is not a Business Day (as herein defined) then the notice will be deemed to have been given and received on the Business Day next following the day it is so delivered. Any notice so transmitted by facsimile transmission, email or other form of recorded communication will be deemed to have been given and received on the day of its confirmed transmission (as confirmed by the transmitting medium), provided that if such day is not a Business Day then the notice will be deemed to have been given and received on the Business Day next following such day. "Business Day" means any day that is not a Saturday, Sunday or civic or statutory holiday in the Province of British Columbia, Canada.

Section 11.6 Assignment

The Executive may not assign this Agreement or any right or obligation under it.

Section 11.7 Survival

The obligations of Article 7, Article 8, Article 9, and Article 10 shall survive the termination of this Agreement.

Section 11.8 Severability

If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof shall continue in full force and effect. The Parties agree to negotiate in good faith to agree to a substitute provision which shall be as close as possible to the intention of any invalid or unenforceable provision as may be valid or enforceable.

Section 11.9 Independent Legal Advice

The Executive acknowledges that the Company has recommended that the Executive obtain independent legal advice with respect to this Agreement, and that the Executive has had a reasonable opportunity to do so prior to executing this Agreement.

Section 11.10 Enurement

This Agreement will enure to the benefit of and will be binding upon the Parties and their respective heirs, executors, administrators and assigns.

Section 11.11 Further Assurances

The Parties will from time to time after the execution of this Agreement make, do, execute or cause or permit to be made, done or executed, all such further and other acts, deeds, things, devices and assurances in law whatsoever as may be required to give full force and effect to this Agreement.



Section 11.12 Personal Information

The Executive acknowledges that the Company is obligated to comply with the British Columbia Personal Information Protection Act and with any other applicable legislation governing the collection, use, storage and disclosure of personal information. The Executive agrees to comply with all Company personal information protection policies and with other policies, controls and practices as they may exist, from time to time, in seeking to ensure that the Executive and the Company engage only in lawful collection, storage, use and disclosure of personal information. The Executive acknowledges that the Executive may be required by the Company to complete a personal information form for NASDAQ and/or the SEC and have it notarized and delivered to NASDAQ and/or the SEC.

Section 11.13 Captions

The headings, captions, article, section and subsection numbers appearing in this Agreement are inserted for convenience of reference only and shall in no way define, limit, construe or describe the scope or intent of this Agreement nor in any way affect this Agreement.

Section 11.14 Counterparts

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.



SCHEDULE A

PRESIDENT AND CHIEF MARKETING OFFICER AGRIFORCE BRANDS

PRESIDENT AGRIFORCE BRANDS & CHIEF MARKETING OFFICER AGRIFORCE
SUMMARY GROWING SYSTEMS LTD

The President and CMO of AgriFORCE brands is responsible for developing and executing a clearly defined commercial strategy, including branding, competitive positioning and M&A to leverage the AgriFORCE cultivation IP and solutions across multiple agriculture verticals which include foods, plant based proteins, cannabis, plant based nutraceuticals and plant based vaccines; in a manner that supports consistent business growth, robust financial returns and establishes brand equity and awareness to provide consumers and businesses more sustainable and better-quality products and ingredients.

This position is responsible for strategy, planning, organizing, staffing, training and managing all

functions to achieve the Company's objectives of sales, growth, profitability, and visibility while ensuring a consistent marketing message and position consistent with the corporate direction across all of the Company's brands and or offerings.

REPORTING LINE

Reports directly to CEO

Subordinates: TBD

MAIN DUTIES

- Create the Company's strategy to leverage the Company's IP's and unique value proposition and points of differentiation across multiple unique verticals both as a Company brand(s) and the development and introduction of brands by the Company with a focus on determining the appropriate strategy with respect to B2B and B2C within each vertical.
- Work with the Company's customers and partners to develop key brand within brand supporting brand strategies and narrative where applicable.
- Work with AgriFORCE's Cultivation Solutions business to lead product development; identifying key opportunities to develop the Company's own

brands and/or products centered on unique points of differentiation and IP to offer to current and future customers and or partners.

- Provide key strategic insights and experience to the leadership teams of each of the AgriFORCE cultivation solutions businesses where applicable.
- Create, prioritize, manage, coordinate and execute all sales and marketing strategies and implement tactical plans that meet and exceed company expectations including the prioritization of resources to achieve the highest ROI across verticals.
- Develop unique value propositions, business partnerships, category management, as well as promotion and advertising campaigns leveraging the uniqueness of the Company's business and IP and its brand appeal across various verticals in order to increase overall brand awareness of AgriFORCE.
- Analyze and evaluate, plan and execute potential marketing activities and strategies. Develop key indicators to measure efficiency and effectiveness of marketing programs.
- Conduct and analyze market research to determine competitiveness with direct and indirect competing concepts.
- Develop a management team showing strong vision and leadership together with developing a culture of innovation to enhance the brand and customer experiences.
- Coach, mentor and raise the team's ability to deliver and exceed expectations.
- Develop and prepare key messaging, presentation and collateral materials to enhance the brand value and attract key partners and brand endorsers/ambassadors.
- Research and analyze demographic and economic trends, characteristics of customers, their tastes and preference providing regular and consistent feedback for business development and particular to current and potential partners and brands whilst driving business development to identify both new markets and opportunities.
- Work with CEO, CSO and Director M&A to identify opportunities and criteria for acquiring companies or IP to complement organic growth in particular to drive revenue and earnings and accomplish strategic objectives.
- Establish and implement short and long range department goals and objectives.
- Establish and implement the sales and marketing department's policies and procedures.
- Establish and maintain the highest quality standards in customer service by establishing and enforcing organization standards and be an active participating member in the ISO 900 quality committee.





RELOCATION ASSISTANCE POLICY & PROCEDURES

(Adopted March 8, 2019)

PART 1 POLICY

1 Policy Statement

Canivate Growing Systems Ltd. ('the Company') may provide financial assistance to eligible new employees to reduce the impact of moving and relocation expenses. Financial assistance may be offered when it is desirable to attract staff from outside of the Vancouver area. Please note that there is no obligation on the part of Canivate Growing Systems Ltd. to provide this assistance.

2 Policy Purpose

The aim of the policy is to outline the relevant steps in the relocation assistance process and to assign individual responsibilities for each of these steps.

3 Policy Scope

3.1 This policy is intended for all staff who are involved in the relocation process within Canivate Growing Systems Ltd.

3.2 This policy outlines all procedures concerned with relocation assistance. It is to ensure that all aspects of relocation are carried out in a proper and efficient manner.

4 Roles & Responsibilities

4.1 All staff involved in relocation must adhere to this policy.

4.2 The Vice President of Human Resources (HR) will amend this policy as required

4.3 HR will ensure this policy is accessible.

4.4 HR will liaise with the CFO or their designate in the relocation process.

PART 2: PROCEDURES

5 Eligibility

5.1 Relocation assistance may be provided to newly hired regular full-time employees upon acceptance of their employment contract when their principal residence is more than fifty (50) kilometers from the Company location.

5.2 Relocation assistance is a taxable benefit.

6 Approvals

6.1 Approval from the VP Human Resources and the Chief Financial Officer (CFO) is required before relocation assistance is offered to a prospective employee being offered a position.

6.2 Newly hired employees approved for relocation assistance are to be provided a copy of this procedure.

7 Levels of Assistance

7.1 Financial assistance may be provided as follows:

- Fifty-one (51) kilometers to one thousand (1000) kilometers - up to \$6,000.00 plus up to \$1,000.00 in total for expenses for two people to search for new accommodation
- One thousand and one (1001) kilometers to four thousand (4000) kilometers – up to \$10,000.00 plus up to \$2,000.00 in total for travel expenses for two people to search for new accommodation
- Four thousand and one (4001) kilometers or more – up to \$15,000.00 plus up to \$2,500.00 in total for travel expenses for two people to search for new accommodation
- Up to \$20,000.00 for relocation from a location other than North America plus up to \$3,000.00 in total for travel expenses for two people to search for new accommodation



8 Conditions

8.1 Relocation assistance is provided only toward those costs directly related to the actual relocation of the employee, immediate family, household goods and the real estate and legal fees arising from the sale and purchase or lease of a principal residence.

8.2 Approved moving expenses will be reimbursed subject to the submission of all receipts for the relocation. Advance payment to a moving company may be made upon approval of the CFO; provided the newly hired employee has provided three (3) quotations from accredited moving companies.

8.3 Relocation assistance is provided with the understanding that an employee will be employed for at least three years. If an employee resigns before completing three years of employment, the repayment of relocation assistance required shall be one-thirty-sixth ($1/36$) of the total assistance provided for each whole month not worked.

8.4 Time allowance for relocation will be at the Company's discretion and considered on a case by case basis.

9 Retention of Records

9.1 All records relating to relocation assistance will be maintained and archived by the Finance & Administration department under direction of the CFO.



ASSET PURCHASE AGREEMENT

by and between

MANNA NUTRITIONAL GROUP, LLC

and

AGRIFORCE GROWING SYSTEMS, LTD.

dated as of

September 10, 2021

ASSET PURCHASE AGREEMENT

This **ASSET PURCHASE AGREEMENT** (this “**Agreement**”), dated as of September 10, 2021 (“**Effective Date**”), is entered into by and between Manna Nutritional Group, LLC, a Nevada limited liability company (“**Seller**”) and AgriForce Growing Systems, Ltd., a British Columbia corporation (“**Buyer**” or “**Purchaser**”).

RECITALS

WHEREAS, Seller is engaged in the Business (as defined below); and

WHEREAS, Seller wishes to sell and assign to Buyer, and Buyer wishes to purchase and assume from Seller, the assets and liabilities used primarily in the Business (other than the Excluded Assets (as defined in Section 2.02)), subject to the terms and conditions set forth herein (the “**Sale**”).

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

The following terms have the meanings specified or referred to in this Article I:

“**Action**” means any action, appeal, petition, plea, charge, complaint, claim, suit, demand, litigation, grievance, arbitration, mediation, hearing, inquiry, investigation or similar event, occurrence, or proceeding, including, without limitation, proceedings by or before any Governmental Authority, arbitrator or mediator.

“**Acquisition Proposal**” means, other than the transactions contemplated by this Agreement, any offer, proposal or inquiry relating to, or any third party indication of interest in, relating to, in a single transaction or series of related transactions, any direct or indirect (a) acquisition of more than 20% of the consolidated assets of Seller and its Subsidiaries taken as a whole (based on the fair market value thereof), including through the acquisition of one or more Subsidiaries of Seller owning such assets, (b) acquisition of beneficial ownership (as defined in Rule 12d-3 under the Exchange Act) of more than 20% of the outstanding Equity Interests of Seller or any of its Subsidiaries, (c) tender offer or exchange offer that if consummated would result in any Person or group beneficially owning more than 20% of the outstanding Equity Interests of Seller or any of its Subsidiaries, (d) merger, consolidation, share exchange, other business combination, reorganization, recapitalization, license, joint venture, partnership, liquidation, dissolution or other similar transaction involving (i) Seller or its Subsidiaries whose assets, individually or in the aggregate, constitute more than twenty percent (20%) of the consolidated assets of Seller and its Subsidiaries, taken as a whole (based on the fair market value thereof), or (ii) more than 20% of the aggregate Equity Interests of Seller or of the surviving entity, (e) liquidation or dissolution of Seller, (f) acquisition of the Purchased Assets or any portion thereof (other than the Excluded Assets) or (g) any combination of the foregoing. For purposes of this section, a group shall be determined in accordance with Section 13(d) of the Exchange Act.

“**Affiliate**” means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. For the purposes of this definition, the term “**control**” (including the terms “**controlling**”, “**controlled by**” and

“under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by Contract or otherwise.

“Affiliate Arrangement” has the meaning set forth in Section 4.06(a)(xviii).

“Agreement” has the meaning set forth in the preamble.

“Assignment and Assumption Agreement” has the meaning set forth in Section 3.02(a)(ii).

“Bill of Sale” has the meaning set forth in Section 3.02(a)(i).

“Bridge Loan Payoff Amount” shall mean all principal of, interest on, premium, if any, expenses and other amounts owing in full (including any prepayment penalties, if any) in respect of the bridge loan.

“Business” means the Seller’s business activities related to the development and exploitation of the following Patent application: U.S. Patent Application No. US 2018 / 0213829 A1 (HIGH FIBER, HIGH PROTEIN, LOW CARBOHYDRATE FLOUR, SWEETENED LIQUID, SWEETENERS, CEREALS, AND METHODS FOR PRODUCTION THEREOF (the **“CERES-MNG Patent Application”**)).

“Business Day” means any day except Saturday, Sunday or any other day on which commercial banks located in New York, New York are authorized or required by Law to be closed for business.

“Business Employee” means any Person who is a present or former employee of Seller at any time prior to or on the Closing Date, and who provided or previously provided any services relating to the Business.

“Business Patents” has the meaning set forth in Section 4.08(a).

“Business Registered Copyrights” has the meaning set forth in Section 4.08(a).

“Business Registered Domain Names” has the meaning set forth in Section 4.08(a).

“Business Registered IP” has the meaning set forth in Section 4.08(a).

“Business Registered Marks” has the meaning set forth in Section 4.08(a).

“Buyer” has the meaning set forth in the preamble.

“Buyer Fundamental Representations” has the meaning set forth in Section 8.01.

“Buyer Indemnified Party(ies)” has the meaning set forth in Section 8.02.

“Buyer Special Indemnification Matters” has the meaning set forth in Section 8.04(a).

“Claim Notice” has the meaning set forth in Section 8.05(a).

“Closing” has the meaning set forth in Section 3.01.

“**Closing Date**” has the meaning set forth in Section 3.01.

“**Closing Payment Amount**” shall mean the portion of the purchase price paid at Closing.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Contracts**” means all legally binding contracts (oral or written), leases, mortgages, licenses, sublicenses, instruments, notes, commitments, undertakings, indentures, letters of intent, memorandum of understanding, memorandum of agreement and other agreements including purchase orders.

“**Current Assets of the Business**” means the current assets listed on **Schedule A**.

“**Current Liabilities of the Business**” means the current liabilities listed on **Schedule A**.

“**Current Representation**” has the meaning set forth in Section 10.15(a).

“**Data Protection Laws**” has the meaning set forth in Section 4.20(a).

“**De-Minimis Losses**” has the meaning set forth in Section 8.04(b).

“**Designated Person**” has the meaning set forth in Section 10.15(a).

“**Direct Claim**” has the meaning set forth in Section 8.05(c).

“**Disclosure Schedules**” means the Disclosure Schedules delivered by Seller concurrently with the execution and delivery of this Agreement.

“**Dollars or \$**” means the lawful currency of the United States.

“**Drop Dead Date**” has the meaning set forth in Section 9.01(b).

“**Encumbrance**” means any lien, pledge, mortgage, deed of trust, security interest, charge, claim, easement, encroachment, encumbrance or other restriction; provided, however, that this term shall not include any restrictions pursuant to federal or state securities laws or regulations and/or any contractual lock-up or similar restrictions imposed pursuant to this Agreement.

“**Environmental Law**” means any and all federal, state or local Laws (including common law), any Governmental Order or binding agreement with any Governmental Authority and any judicial or administrative interpretation thereof: (a) relating to pollution (or the cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety, or the environment (including ambient air, soil, surface water or groundwater, or subsurface strata); or (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal or remediation of any Hazardous Materials. The term “**Environmental Law**” includes, without limitation, the following (including their implementing regulations and any state analogs): the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 et seq.; the Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251 et seq.; the Toxic Substances

Control Act of 1976, as amended, 15 U.S.C. §§ 2601 et seq.; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001 et seq.; the Clean Air Act of 1966, as amended by the Clean Air Act Amendments of 1990, 42 U.S.C. §§ 7401 et seq.; and the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §§ 651 et seq.

“Environmental Permit” means any Permit, letter, clearance, consent, waiver, closure, exemption, decision or other action required under or issued, granted, given, authorized by or made pursuant to Environmental Law.

“Equity Interest” means, with respect to any Person, any share, share capital, capital stock, partnership, limited liability company, member or similar interest in such person, and any option, warrant, right or security (including debt securities) convertible, exchangeable or exercisable thereto or therefor.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

“Escrow Agent” means Buyer, with any funds escrowed (including the Post-Closing Shares) to be held in a separate account pursuant to the terms of the Escrow Agreement.

“Escrow Agreement” has the meaning set forth in Section 3.02(a)(vi).

“Exchange Act” means the Securities Exchange Act of 1934, and the rules and regulations thereunder.

“Expiration Date” has the meaning set forth in Section 8.01.

“Excluded Liabilities” has the meaning set forth in Section 2.03.

“Financial Statements” has the meaning set forth in Section 4.04.

“Forbearance Agreements” means those forbearance agreements referenced in Section 2.03 with regard to the Martinez Debt, Griffith Debt and the Gordon Debt.

“Fraud” means the following, to the extent determined by the finder of fact after full adjudication (not subject to any further appeals) (a) a Person made a false representation; (b) such Person had knowledge or belief that the representation was false, or made the representation with requisite indifference to the truth; (c) such Person intended to induce another Person party to this Agreement to act or refrain from acting; (d) such other Person party to this Agreement acted or did not act in justifiable reliance on the representation; and (e) such other Person party to this Agreement suffered damages as a result of such reliance.

“GAAP” means United States generally accepted accounting principles in effect from time to time.

“Governmental Authority” means any United States or non-United States national, federal, state, local, provincial or international government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any stock exchange or self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of Law), or any

arbitrator, court or tribunal of competent jurisdiction.

“Governmental Order” means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

“Hazardous Materials” means: (a) any material, substance, chemical, waste, product, derivative, compound, mixture, solid, liquid, mineral or gas, in each case, whether naturally occurring or man-made, that is hazardous, acutely hazardous, toxic, or words of similar import or regulatory effect under Environmental Laws; and (b) any petroleum or petroleum-derived products, radon, radioactive materials or wastes, asbestos in any form, lead or lead-containing materials, urea formaldehyde foam insulation and polychlorinated biphenyls.

“Indebtedness” means, as to any Person, without duplication, (a) all obligations or liabilities of such Person for borrowed money or in respect of loans or advances (including, without limitation, reimbursement and all other obligations with respect to surety bonds, guarantees, letters of credit, banker’s acceptances, corporate credit card or business credit lines whether or not matured, indemnities, performance letters, comfort letters and other arrangements similar to the foregoing); (b) all obligations or liabilities of such Person under or pursuant to any arrangement to pay the deferred purchase price of property or services or the acquisition of any business, as obligor or otherwise, except trade accounts payable and accrued commercial or trade liabilities arising in the ordinary course and included in the calculation of Closing Working Capital as finally determined; (c) all obligations or liabilities of such Person under or pursuant to any interest rate and currency swaps, caps collars, interest rate cap agreements, interest rate swap agreements, foreign currency exchange agreements and similar agreements or hedging devices; (d) all obligations or liabilities created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of Seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (e) all obligations or liabilities of such Person under or pursuant to leases which are required to be, in accordance with GAAP, recorded as capital leases; (f) all obligations or liabilities secured by any Encumbrance excluding Permitted Encumbrances on any property or asset owned by that Person, regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is non-recourse to the credit of that Person; (g) all obligations or liabilities of such Person for off balance sheet financing of such Person (other than operating leases); (h) all obligations or liabilities of such Person evidenced by bonds, debentures, notes or other similar securities or instruments; (i) all obligations or liabilities of such Person for any direct or indirect guarantees made by such Person of any Indebtedness of any other Person described in clauses (a) through (h); and (j) any accrued but unpaid interest, Taxes, interest, unpaid prepayment or redemption penalties, premiums or payments and unpaid fees and expenses that are payable in connection with retirement, payment or prepayment of any of the foregoing liabilities or obligations.

“Indemnification Cap” has the meaning set forth in Section 8.04(a).

“Indemnified Party” has the meaning set forth in Section 8.05.

“Indemnifying Party” has the meaning set forth in Section 8.05.

“Intellectual Property” means any and all intellectual property rights in the world arising under the Laws of any jurisdiction with respect to, arising from or associated with the following: (a) all Internet addresses and domain names (**“Domain Names”**); (b) trade names, trademarks and service marks (registered and unregistered), trade dress, industrial designs, brand names, trade dress rights, logos,

emblems, signs or insignia, social media handles and names, and similar rights and applications to register any of the foregoing, and all goodwill associated therewith throughout the world (collectively, “**Marks**”); (c) patents, patent applications and the inventions described therein (including any provisional or non-provisional patent applications, Patent Cooperation Treaty applications, divisionals, continuations, continuations-in-part, renewals, reexaminations, extensions, and reissues), rights therein provided by international treaties or conventions and rights in respect of utility models or industrial designs (collectively, “**Patents**”); (d) copyrights and works of authorship (including copyrights in software programs) and registrations and applications therefor and all other rights corresponding thereto, moral rights, database and design rights, and mask works and registrations and applications therefor (collectively, “**Copyrights**”); (e) know-how, discoveries, trade secrets, methods, processes, technical data, specifications, research and development information, technology, data bases and other proprietary or confidential information, including customer lists, in each case that derives economic value from not being generally known to other Persons who can obtain economic value from its disclosure and all derivations thereof (collectively, “**Trade Secrets**”); and (f) all other intellectual property and industrial property rights and assets, and all rights, interests and protections that are associated with, similar to, or required for the exercise of, any of the foregoing.

“**Intellectual Property Agreements**” means all Contracts that are related to the operation of the Business by or through which other Persons grants Seller or Seller grants to any other Person(s) any exclusive or nonexclusive rights or interests in or to any Intellectual Property.

“**Intellectual Property Assets**” means all Intellectual Property that is owned or controlled by Seller and used or held for use in the operation of the Business including any and all Intellectual Property related to the CERES-MNG Patent Application.

“**Intellectual Property Registrations**” means all Intellectual Property Assets that are subject to any registration, patent, application or other filing by, to or with any Governmental Authority or authorized private registrar in any jurisdiction, including Marks, Domain Names, Trade Secrets and Copyrights, issued and reissued Patents and pending applications for any of the foregoing.

“**Intellectual Property Rights**” has the meaning set forth in Section 4.08(c).

“**Knowledge**,” “**Seller’s Knowledge**,” or the “**Knowledge of the Seller**,” and any similar phrases means none of David Naccarato, Dan Haggart, Mike Wall, Marc Garcia, or Dr. Stuart Gordon has any actual knowledge, implied knowledge or belief that the statement made is incorrect. For this purpose, “**implied knowledge**” means all information available in the books, records and files of Seller and all information that any of such persons should have known in the course of operating and managing the business and affairs of Seller.

“**Law**” means any domestic or foreign statute, law, ordinance, regulation, rule, code, order, injunction, constitution, treaty, common law, judgment, decree, other requirement or rule of law of any Governmental Authority.

“**Liability**” means any Indebtedness, obligation, or liability, including any interest, penalties, fees, costs and expenses, whether known or unknown, matured or unmatured, accrued or unaccrued, vested or unvested, asserted or unasserted, actual or contingent.

“**Losses**” means all losses, damages, liabilities, deficiencies, claims, interest, awards, judgments, penalties, costs or expenses, including reasonable attorneys’ fees, costs and other out-of-pocket expenses

incurred in investigating, preparing or defending the foregoing.

“Material Adverse Effect” means any event, occurrence, fact, condition, change, circumstance, effect, development or state of facts that has had, or would reasonably be expected to have, a material adverse effect on (a) the business, results of operations, condition (financial or otherwise), assets or liabilities of the Business, taken as a whole, or (b) the ability of Seller to perform its obligations under this Agreement, the Escrow Agreement or the Transaction Documents or consummate the transactions contemplated hereby or thereby; *provided, however*, that **“Material Adverse Effect”** shall not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (i) general economic or political conditions; (ii) conditions generally affecting the industry in which the Business operates; (iii) any changes in financial, banking or securities markets in general, including any disruption thereof and any decline in the price of any security or any market index or any change in prevailing interest rates; (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof; (v) any action required by this Agreement or any action taken with the written consent of or at the written request of Buyer; (vi) any matter that is set forth in the Disclosure Schedules to the extent it is reasonably apparent from the face of such disclosure that it could have a Material Adverse Effect; (vii) any changes in applicable Laws or accounting rules (including GAAP) or the enforcement, implementation or interpretation thereof; (viii) the announcement or completion of the transactions contemplated by this Agreement, including losses or threatened losses of employees, customers, suppliers, distributors or others having relationships with the Seller and the Business; (ix) any natural or man-made disaster or acts of God; or (x) any failure by the Business to meet any internal or published projections, forecasts or revenue or earnings predictions (*provided, however*, that, with respect to this clause (x) the underlying causes of such failures (subject to the other provisions of this definition) shall not be excluded); and, *provided, however*, that the exclusions under clauses (i), (ii), (iii), (iv) and (vii) and (ix) shall not apply to the extent that such event, occurrence, fact, condition or change disproportionately affects the Seller with respect to the Business (taken as a whole) as compared to other businesses or participants in the industry in which the Business operates.

“Material Contract” has the meaning set forth in Section 4.06(a).

“Money Laundering Laws” has the meaning set forth in Section 4.19

“Notice Period” has the meaning set forth in Section 6.18(c).

“Patent Assignment Agreement” has the meaning set forth in Section 3.02(a)(v).

“Payroll Taxes” means social security, Medicare, unemployment and other payroll, employment or similar or related Taxes and employer national insurance contributions or similar obligations payable.

“Permits” means all federal, state, local and foreign permits, licenses, franchises, approvals, waivers, certificates, certifications, authorizations and consents required to be obtained from Governmental Authorities.

“Permitted Encumbrances” means (a) statutory liens for Taxes not yet due and payable or being contested in good faith by appropriate procedures; (b) mechanics’, carriers’, workmen’s, repairmen’s or other like liens arising or incurred in the ordinary course of business; (c) easements, rights of way, zoning ordinances and other similar encumbrances affecting leased property (whether real or personal) with the existence of which would not have a Material Adverse Effect on the use of such assets or properties as currently used; and (d) liens arising under original purchase price conditional sales contracts

and equipment leases with third parties entered into in the ordinary course of business, in each case as related to the Business or the Purchase Assets.

"Person" means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association or other entity.

"Personal Information" means any information that, alone or in combination with other information, identifies or allows the identification of, or contact with, any individual, including an individual's name, address, telephone number, e-mail address, IP address, mobile device identifier, geolocation, date of birth, photograph, social security number or tax identification number, credit card number, bank information, or biometric identifiers.

"Post-Closing Representation" has the meaning set forth in Section 10.15(a).

"Post-Closing Tax Period" means any taxable period beginning after the Closing Date and, with respect to any taxable period beginning before and ending after the Closing Date, the portion of such taxable period beginning after the Closing Date.

"Pre-Closing Tax Period" means any taxable period ending on or before the Closing Date and, with respect to any taxable period beginning before and ending after the Closing Date, the portion of such taxable period ending on and including the Closing Date.

"Purchase Price" has the meaning set forth in Section 2.04.

"Purchased Assets" has the meaning set forth in Section 2.01.

"Related Party" shall mean any present stockholder, officer, director, Affiliate, or employee of Seller, or any person who was a stockholder, officer, director, Affiliate or employee of Seller within the twelve months preceding the Closing Date, or any parent, child, sibling or spouse who resides with, or is a dependent of, any such person or entity controlled by such person.

"Release" means any actual or threatened release, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, abandonment, disposing or allowing to escape or migrate into or through the environment (including, without limitation, ambient air (indoor or outdoor), surface water, groundwater, land surface or subsurface strata or within any building, structure, facility or fixture).

"Representative" means, with respect to any Person, any and all directors, partners, members, managers, officers, employees, consultants, financial advisors, counsel, accountants and other agents of such Person.

"Sale" has the meaning set forth in the recitals.

"Seller" has the meaning set forth in the preamble.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Seller Fundamental Representations" has the meaning set forth in Section 8.01.

"Seller Indemnified Party(ies)" has the meaning set forth in Section 8.03.

"Seller Special Indemnification Matters" has the meaning set forth in Section 8.04(a).

"Sensitive Data" means all confidential information, proprietary information, Personal Information, trade secrets and any other information protected by Law or Contract that is collected, created, maintained, stored, transmitted, used, disclosed or otherwise processed by or for the Business.

"Subsidiary" or **"Subsidiaries"** means, with respect to any Person, any other Person of which an amount of the voting securities, other voting ownership or voting partnership interests of which is sufficient to elect at least a majority of its board of directors or other governing body (or, if there are no such voting interests, 50% or more of the Equity Interests of which) is owned directly or indirectly by such first Person. For the purposes hereof, the term Subsidiary shall include all Subsidiaries of such Subsidiary.

"Survival Period" has the meaning set forth in Section 8.01.

"Taxes" means (i) all federal, state, local or foreign taxes, including all income, gross receipts, capital, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, property and estimated taxes, customs duties, fees, assessments and charges in the nature of a tax, (ii) all interest, penalties, fines, additions to tax or additional amounts imposed by any Governmental Authority in connection with any item described in clause (i), and (iii) any liability in respect of any items described in clauses (i) or (ii) payable by reason of Contract, assumption, transferee liability, operation of Law, or Treasury Regulation Section 1.1502-6(a) (or any predecessor or successor thereof or any analogous or similar provision under Law).

"Tax Return" means any return, report or statement filed or required to be filed with a Governmental Authority with respect to any Taxes (including any elections, declarations, schedules or attachments thereto, and any amendment thereof) including any information return, claim for refund, amended return or declaration of estimated Taxes.

"Technology" means, collectively, all designs, formulas, algorithms, procedures, methods, techniques, ideas, know-how, research and development, technical data, Software, tools, materials, specifications, processes, inventions (whether patentable or unpatentable and whether or not reduced to practice), apparatus, creations, improvements, works of authorship and other similar materials, and all recordings, graphs, drawings, reports, analyses, and other writings, and other tangible embodiments of the foregoing, in any form whether or not specifically listed herein, and all related technology.

"Termination Agreements" has the meaning set forth in Section 3.02(a)(ix).

"Termination Fee" means a cash payment made by Seller to Buyer pursuant to Section 9.02(b) and equal to \$750,000, which shall apply for any Termination by Buyer due to a breach by Seller of any obligation as referenced in Section 9 of this Agreement.

"Third Party Claim" has the meaning set forth in Section 8.05(a).

“**Threshold**” has the meaning set forth in Section 8.04(b).

“**Transaction Documents**” means this Agreement, the Bill of Sale, the Assignment and Assumption Agreement, the Patent Assignment Agreement, the, the, the Escrow Agreement, , the Termination Agreements and the other agreements, instruments and documents required to be delivered at the Closing.

“**Transaction Litigation**” has the meaning set forth in Section 6.19.

“**Transfer Taxes**” has the meaning set forth in Section 6.08(b).

“**Willful Breach**” means a breach that is a consequence of an act or omission knowingly undertaken or knowingly omitted by the breaching party with the knowledge that such act or omission would cause a breach of this Agreement.

ARTICLE II PURCHASE AND SALE

Section 2.01

Purchase and Sale of the Purchased Assets. Subject to the terms and conditions set forth herein, at the Closing, Seller shall, and shall cause its Affiliates to, sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase from Seller or its Affiliates, as applicable, all right, title and interest in, to and under all tangible and intangible assets of the Seller as of the date of Closing including the CERES-MNG Patent Application and all other of Seller’s Patents and other Intellectual Property (collectively, the “**Purchased Assets**”). The Purchased Assets to be purchased are to be free and clear of all liabilities, claims, liens and security agreements, with the exception of (i) Permitted Encumbrances and (ii) trade payables and accrued expenses, which will be assumed as part of the purchase by the Purchaser in an amount not to exceed \$500,000, which shall reduce the purchase price hereunder dollar-for-dollar. Without limiting the generality of the foregoing, the Purchased Assets include any proprietary processes and Trade Secrets that have been developed as of Closing Date by either or both of David Naccarato and or Dr. Stuart Gordon (the “**Scientists**”), whether or not yet the subject of a Patent or a Patent application, and that are related to or derived directly or indirectly from the inventions disclosed in the CERES-MNG Patent Application. Seller and the Scientists shall take all actions reasonable and necessary to assign/transfer free and clear of all Encumbrances, all goodwill, trade secrets and confidential information associated with the Business including, without limitation, the goodwill associated with existing customer relationships of the Business, and all rights, claims or credits relating to or deriving from, any of the assets described in the foregoing clauses; including the CERES-MNG Patent Application.

Section 2.02

Assumed Liabilities. Other than any liabilities set forth on Section 2.02 of the Disclosure Schedules (the “**Assumed Liabilities**”), Purchaser is assuming no liabilities.

Section 2.03

Excluded Liabilities. Other than any Assumed Liabilities, all liabilities are excluded with regard to the Purchased Assets and otherwise arising out of this Agreement.

Section 2.04

Purchase Price. The aggregate purchase price for the Purchased Assets (the “**Purchase Price**”) is up to \$14,475,000, and shall consist of the following, subject to the terms and conditions of this Agreement, as

follows:

- (i) The number of shares of Purchaser's common stock (rounded up to the nearest whole number), restricted as to resale under Section 4(a)(2) of the Securities Act, equal to the quotient of (i) \$5,000,000 divided by (ii) a per share price equal to the average of the volume weighted average price ("**VWAP**") of the Purchaser's common shares for the ten trading days immediately preceding the Due Diligence Deadline (as defined below) (the "**Closing Shares**"). The Closing Shares, to be due on the Closing Date, which Closing Shares are restricted as to resale and issued under a private placement exempt from registration under Section 4(a)(2) of the Securities Act, are subject to release of restriction and lockup on a quarterly basis over ten quarters commencing on the Closing Date in equal amounts of shares over ten consecutive calendar quarters. The Closing Shares are due and will be issued to Seller upon the date that is 180 day from the Effective Date (the "**Due Diligence Deadline**"), with such due diligence being comprised of (the following three bullet points are the "**KPIs**"):
 - Receipt and Tasting of Flours and Sweeteners by the Purchaser;
 - Independent Lab Testing of Flours and Sweeteners by the Purchaser to confirm fiber, protein, and starch content of such products meets the specifications provided by Seller; and
 - Completion by the Purchaser of Third-Party Engineering Process Analysis, included in the scope of work outlined by Covert Engineers, dated August 11, 2021, for conceptual and preliminary plant design for a Pilot Manufacturing Facility.
- (ii) \$1,475,000 in cash, minus any amounts paid to Seller under Section 2.04(iii), payable to the Seller at Closing;
- (iii) \$725,000 in cash payable follows: (a) \$225,000 payable on the Effective Date; and (b) \$500,000 payable within 120 days after the Effective Date, to reimburse Seller for, without limitation, satisfaction of all the secured debt as listed in Section 2.04 of the Disclosure Schedules (the "**Secured Debt**") (which cash amount is nonrefundable other than as provided in Section 9.02).
- (iv) The number of shares of Purchaser's common stock (rounded up to the nearest whole number) to be issued in two tranches that equals (i) \$8,000,000 divided by (ii) a per share price equal to the VWAP of the Purchaser's common shares for the ten trading days immediately before the issuance date of those shares ("**Post-Closing Shares**"). \$5,000,000 of the Post-Closing Shares will be issued on June 30, 2022, to be held in Escrow. \$3,000,000 of the Post-Closing Shares will be issued to Seller on December 31, 2022, to be held in Escrow. All distributions and dividends attributable to the Post-Closing Shares (collectively, "**Dividends**") will accrue for the benefit of Seller and will be held in Escrow pending release of the Post-Closing Shares, in which case all Dividends will be released to Seller at the same time as the Post-Closing Shares are so released. Until Post-Closing Shares are released from Escrow, all voting rights thereto shall be exercised as directed by the Purchaser's Board of Directors. If a Patent is issued within 24 months of the Closing Date, and such Patent is transferred to the

Purchaser free and clear of all Encumbrances, then the Post-Closing Shares shall be released from Escrow in four equal amounts commencing on the date of issuance of the Patent and then for the three subsequent three-month anniversaries thereof.

In the event that after 24 months from the Closing Date, a Patent does not issue from the CERES-MNG Patent Application, Buyer's obligation to issue the Post-Closing Shares and Dividends to Seller will be deemed null and void *ab initio* and will no longer be due and owing to the Seller, and the Post-Closing Shares shall be released from Escrow and returned to the Purchaser, and the Purchase Price shall be adjusted downward dollar for dollar.

Section 2.05

Excluded Assets. Other than the Purchased Assets subject to Section 2.01, Buyer expressly understands and agrees that it is not purchasing or acquiring, and Seller is not selling or assigning, any other assets or properties of Seller, and all such other assets and properties are excluded from the Purchased Assets (the "**Excluded Assets**"). Excluded Assets include the following Seller assets and properties:

- (i) Any assets listed in Section 2.05 of the Disclosure Schedules.

Section 2.06

Non-assignable Assets; Third Party Consents.

(a)

Notwithstanding anything to the contrary in this Agreement, and subject to the provisions of this Section 2.06, to the extent that the sale, assignment, transfer, conveyance or delivery, or attempted sale, assignment, transfer, conveyance or delivery, to Buyer of any Purchased Asset would result in a violation of applicable Law, or would require the consent, authorization, approval or waiver of a Person who is not a party to this Agreement or an Affiliate of a party to this Agreement (including any Governmental Authority), and such consent, authorization, approval or waiver shall not have been obtained prior to the Closing, this Agreement shall not constitute a sale, assignment, transfer, conveyance or delivery, or an attempted sale, assignment, transfer, conveyance or delivery, thereof; *provided, however*, that, subject to the satisfaction or waiver of the conditions contained in Article VII, the Closing shall occur notwithstanding the foregoing without any adjustment to the Purchase Price on account thereof. Following the Closing, Seller and Buyer shall use best efforts, and shall cooperate with each other, and Seller shall cause its Affiliates to use best efforts and cooperate with Buyer, to obtain any such required consent, authorization, approval or waiver, or any release, substitution or amendment required to novate all liabilities and obligations under any and all Purchased Assets or other liabilities that constitute Assumed Liabilities or to obtain in writing the unconditional release of all parties to such arrangements, so that, in any case, Buyer shall be solely responsible for such Assumed Liabilities and obligations from and after the Closing Date and solely benefit from the Purchased Assets from and after the Closing Date; *provided, however*, that neither Seller nor Buyer shall be required to pay any consideration therefor. Once such consent, authorization, approval, waiver, release, substitution or amendment is obtained, Seller shall, and shall cause its Affiliates to, sell, assign, transfer, convey and deliver to Buyer the relevant Purchased Asset to which such consent, authorization, approval, waiver, release, substitution or amendment relates for no additional consideration. Applicable Transfer Taxes in connection with such sale, assignment, transfer, conveyance or license shall be paid by the parties in accordance with Section 6.08.

(b)

To the extent that any Purchased Asset and/or Assumed Liability cannot be transferred to Buyer following the Closing pursuant to this Section 2.06, Buyer and Seller, to the maximum extent permitted by Law, shall, and Seller shall cause its Affiliates to, enter into such arrangements to provide to the parties the economic and, to (i) the extent permitted under applicable Law and (ii) not prohibited by the Purchase Asset, operational equivalent of the transfer of such Purchased Asset and/or Assumed Liability to Buyer as of the Closing and the performance by Buyer of its obligations with respect thereto. To the extent such an arrangement cannot be entered into, Seller shall, and shall cause its Affiliates to, (a) use best efforts to enforce any rights of Seller or its Affiliates, as applicable, arising from such Purchased Asset (including, without limitation, a right of termination) and (b) indemnify and hold harmless each Buyer Indemnified Party from any and all damages incurred or suffered by a Buyer Indemnified Party resulting from, arising out of or related to such arrangement not being obtained. Notwithstanding any provision in this Section 2.06 to the contrary, Buyer shall not be deemed to have waived its rights under Section 7.02 hereof unless and until Buyer either provides written waiver thereof or elects to proceed to consummate the transactions contemplated by this Agreement at Closing. To the extent permitted under applicable Law, Buyer shall, as agent or subcontractor for Seller or its Affiliates, as applicable, pay, perform and discharge fully the liabilities and obligations of Seller, to the extent they are Assumed Liabilities of such Purchased Asset, thereunder from and after the Closing Date. To the extent permitted under applicable Law, Seller shall, and shall cause its Affiliates to, hold in trust for and pay to Buyer promptly upon receipt thereof, such Purchased Asset and all income, proceeds and other monies received by Seller or its Affiliates, as applicable, to the extent related to such Purchased Asset in connection with the arrangements under this Section 2.06. Each party shall be permitted, as applicable, to set off against such amounts all direct costs associated with the retention and maintenance of such Purchased Assets and all direct costs associated with the payment, performance and discharge of the Assumed Liabilities of such Purchased Asset.

Section 2.07 Intentionally omitted.

Section 2.08

Buyer Assignment. Notwithstanding anything herein to the contrary, and for all purposes of this Agreement and the transactions contemplated hereby, Seller and the Buyer agree that the Buyer shall be entitled to assign its rights to purchase all or a portion of the Purchased Assets and its obligations to assume all or portion the Assumed Liabilities to any one or more Affiliates of the Buyer.

ARTICLE III CLOSING

Section 3.01

Closing. Subject to the terms and conditions of this Agreement, the consummation of the transactions contemplated by this Agreement (the "**Closing**") shall take place virtually. The Closing shall occur within 30 days from the Due Diligence Deadline, provided that all conditions to closing (as set forth in Article VII) are met as of that date. The date on which the Closing is to occur is herein referred to as the "**Closing Date**".

Section 3.02

Closing Deliverables.

(a)

At the Closing, Seller shall deliver to Buyer the following:

(i)

a bill of sale in the form of **Exhibit A** hereto (the “**Bill of Sale**”) duly executed by Seller, transferring the tangible personal property included in the Purchased Assets to Buyer;

(ii)

an assignment and assumption agreement in the form of **Exhibit B** hereto (the “**Assignment and Assumption Agreement**”) duly executed by Seller, effecting the assignment to and assumption by Buyer of the Purchased Assets and the Assumed Liabilities;

(iii)

a certificate pursuant to Treasury Regulations Section 1.1445-2(b) that Seller is not a foreign person within the meaning of Section 1445 of the Code duly executed by Seller;

(iv)

a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Seller certifying (i) the names and signatures of the officers of Seller who are authorized to sign this Agreement and the Transaction Documents and the other documents to be delivered hereunder and thereunder, (ii) that attached thereto are true and complete copies of all resolutions adopted by the board of directors of Seller authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, and (iii) that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby;

(v)

a patent assignment agreement in the form of **Exhibit C** hereto (the “**Patent Assignment Agreement**”) duly executed by Seller, effecting the assignment to and assumption by Buyer of the Business Patents;

(vi)

the Escrow Agreement in the form of **Exhibit D** hereto (the “**Escrow Agreement**”), duly executed by Seller;

(vii)

a letter signed by each of the Seller’s creditors who have an Encumbrance on any portion of the Purchased Assets completely and unconditionally (other than receipt of payment in full) terminating such Encumbrance releasing any claims or rights that such creditor has or may have with respect to such Purchased Assets (each, a “**Lien Release Agreement**”) such that Buyer shall acquire the Purchased Assets at Closing free and clear of all Encumbrances, other than Permitted Encumbrances;

(viii)

an agreement in respect of each Affiliate Arrangement, in each case duly executed by each party thereto and in form and substance reasonably acceptable to Buyer, and pursuant to which each Affiliate Arrangement shall be terminated at or prior to the Closing with no further obligation binding on, or liability of, Buyer (the “**Termination Agreements**”); and

(ix)

a written employment agreement between Buyer and David Naccarato (“**Employment Agreement**”), duly

executed and an agreement to reach a collaboration agreement with the other Scientist.

(b)

At the Closing, Buyer shall deliver to Seller the following:

(i)

the Closing Payment Amount;

(ii)

the Escrow Agreement duly executed by Buyer;

(iii)

a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Buyer certifying (i) the names and signatures of the officers of Buyer authorized to sign this Agreement, the Transaction Documents and the other documents to be delivered hereunder and thereunder, (ii) that attached thereto are true and complete copies of all resolutions adopted by the board of directors of Buyer authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, and (iii) that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby;

(iv)

a certificate, dated and duly executed as of the Closing Date on behalf of Buyer by a duly authorized officer of Buyer (in such Person's capacity as such and not individually), that each of the conditions set forth in Section 7.03(a) and Section 7.03(b) have been satisfied.; and

(v)

the Employment Agreements, duly executed by Buyer.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer that the statements contained in this Article IV are true and correct as of the date hereof and as of the Closing Date.

Section 4.01

Organization and Qualification of Seller. Seller is duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation and has all necessary limited liability company power and authority to own, operate or lease the properties and assets now owned, operated or leased by it and to carry on the Business as currently conducted and contemplated to be conducted through Closing. Except as would not, individually or in the aggregate, be expected to be material to the Business taken as a whole, Seller is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the ownership of the Purchased Assets or the operation of the Business as currently conducted makes such licensing or qualification necessary.

Section 4.02

Authority of Seller. Seller has all necessary limited liability company power and authority to enter into this Agreement and the other Transaction Documents to which Seller is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and

thereby. The execution and delivery by Seller of this Agreement and any other Transaction Document to which Seller is a party, the performance by Seller of its obligations hereunder and thereunder and the consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized by all requisite limited liability company action on the part of Seller. This Agreement has been duly executed and delivered by Seller, and (assuming due authorization, execution and delivery by Buyer) this Agreement constitutes a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). When each other Transaction Document to which Seller is or will be a party has been duly executed and delivered by Seller (assuming due authorization, execution and delivery by Buyer and each other party thereto), such Transaction Document will constitute a legal and binding obligation of Seller enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 4.03

No Conflicts; Consents. The execution, delivery and performance by Seller of this Agreement and the other Transaction Documents to which Seller is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) result in a violation or breach of any provision of the articles of incorporation or operating agreement of Seller; (b) result in a violation or breach of any provision of any Law or Governmental Order applicable to Seller, the Business, the Purchased Assets or the Assumed Liabilities; (c) require the consent, notice or other action by any Person under, conflict with, result in a violation or breach of, constitute a default under or result in the acceleration of any Material Contract; (d) require the consent, notice, vote, approval or other action by the members of Seller not already obtained as of the Closing Date; or (e) result in the creation or imposition of any Encumbrance on any Purchased Asset. No consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Seller in connection with the execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby.

Section 4.04

Financial Statements; Undisclosed Liabilities.

(a)

Section 4.04 of the Disclosure Schedules includes true, correct and complete copies of the unaudited financial statements of the Seller dated December 31, 2019 and 2020 and June 30, 2021 (the "**Financial Statements**").

(b)

The Financial Statements fairly and accurately present in all material respects the financial condition of the Business as of the respective dates and for the periods indicated therein (subject to normal adjustments which will not, individually or in the aggregate, be material in nature or amount).

(c)

Seller has no Liabilities against, relating to or affecting the Business, except (i) those which are adequately reflected or reserved against in the Financial Statements, (ii) those which have been incurred in the ordinary course of business since January 1, 2020, and which are not, individually or in the

aggregate, material in amount, and (iii) those incurred pursuant to the Transaction Agreements and the transactions contemplated hereby.

(d)

Seller is solvent for all purposes under federal bankruptcy and applicable state fraudulent transfer and fraudulent conveyance Laws. The sale of the Purchased Assets by Seller hereunder will not render Seller insolvent and does not constitute a fraudulent transfer or conveyance under such Law.

Section 4.05

Absence of Certain Changes, Events and Conditions. Except as set forth in Section 4.05 of the Disclosure Schedules, from January 1, 2020, until the date of this Agreement, Seller has operated the Business in the ordinary course of business consistent with past practice in all material respects and there has not been, with respect to the Business, any event or circumstance that, individually or in the aggregate, has had or is reasonably expected to have a Material Adverse Effect. Except as set forth in Section 4.05 of the Disclosure Schedules or as would not, individually or in the aggregate, be expected to be material to the Business taken as a whole, since January 1, 2020, until the date of this Agreement there has not been, in each case solely with respect to the Business unless indicated otherwise:

(a)

any mortgage, pledge, lien, or grant of a security interest in, or other Encumbrance of any of the Purchased Assets;

(b)

any sale, disposal of or license of any of the Purchased Assets (including, without limitation, Intellectual Property Assets) to any Person;

(c)

any failure to pay and discharge any trade payables or other material obligations relating to the Purchased Assets or the Business in accordance with Seller's customary business practices as of the date hereof;

(d)

any claim or lawsuit initiated or settled for an amount involving in excess of \$25,000 in the aggregate or involving equitable or injunctive relief;

(e)

any failure to comply in all material respects with all Laws applicable to the conduct of the Business or the ownership and use of the Purchased Assets;

(f)

with respect to the Business, the Acquired Assets or the Assumed Liabilities: (i) any material Tax election or change in any Tax election, (ii) any change of any annual Tax accounting period or any change of any method of Tax accounting (except as required by Law), (iii) any amended Tax Return or any claim for Tax refunds, (iv) any entry into any closing agreement relating to Taxes or (v) any settlement of any Tax claim, audit or assessment; and

(g)

any agreement or commitment to do any of the things described in the preceding clauses of this Section

4.05.

Section 4.06
Material Contracts.

(a)

Section 4.06(a) of the Disclosure Schedules lists each of the following Contracts (x) by which any of the Purchased Assets are bound or affected, (y) to which Seller is a party or by which it is bound primarily in connection with the Business or the Purchased Assets or (z) which relate or pertain to the Business but are not part of the Purchased Assets (collectively, the "**Material Contracts**");

(i)

All material Contracts;

(ii)

any Contract relating to capital expenditures or other purchases of material, supplies, equipment or other assets or properties or services by Seller (other than purchase orders for inventory or supplies in the ordinary course of business) in excess of \$25,000 individually, or \$50,000 in the aggregate, during the 12-month period preceding the date hereof;

(iii)

all Contracts (including, without limitation, letters of intent) that relate to the disposition or acquisition of assets or properties (other than in the ordinary course of business) involving consideration of more than \$25,000, individually or \$50,000 in the aggregate, or any merger, consolidation or similar business combination transaction, whether or not enforceable, or (B) relating to the acquisition by Seller of any operating business or Equity Interest of any other Person pursuant to which such Seller has any obligations as of the date hereof;

(iv)

all Contracts relating to Indebtedness and any guaranty agreement or other evidence of Indebtedness, including capitalized lease obligations;

(v)

all Contracts containing provisions (A) that expressly limit the ability of the Business to engage in any business activity or compete with any Person, or the expansion thereof to other geographical areas, customers, suppliers or lines of business, (B) limiting solicitation of employees or clients, or (C) that grants the other party or any third person "most favored nation" or similar status;

(vi)

any Contract (or group of related Contracts) relating to payments by or to Seller of more than \$25,000 individually or \$50,000 in the aggregate during the 12-month period preceding the date hereof or which is reasonably likely to require payments by or to Seller after the date hereof in excess of such amounts;

(vii)

any Contract pursuant to which Seller subcontracts work to third parties;

(viii)

any Contract (including, without limitation, letters of intent) (A) involving the future disposition or

acquisition of assets or properties (other than in the ordinary course of business) involving consideration of more than \$25,000, individually or \$50,000 in the aggregate, or any merger, consolidation or similar business combination transaction, whether or not enforceable, or (B) relating to the acquisition by Seller of any operating business or Equity Interest of any other Person pursuant to which such Seller has any obligations as of the date hereof;

(ix)

Intentionally omitted;

(x)

any Contract that restricts or limits the ability of any individual Business Employee to engage in any business, solicit customers or employees of Seller, or compete with Seller or the Business during or following employment with Seller;

(xi)

all Contracts that are intercompany agreements relating to the Business or the Purchased Assets;

(xii)

any Contract (or group of related Contracts), if any, which is not terminable on less than ninety (90) days' notice or that contains a minimum annual commitment in excess of \$50,000;

(xiii)

any Contract creating a shareholders' agreement, strategic alliance, partnership, joint venture agreement, development, joint development or similar arrangement which is material to the Business;

(xiv)

any Contract entered into by Seller granting a license or other grant of rights to any third party for the use of any Intellectual Property Assets and any Contract entered into by Seller in which a license or other grant of rights is provided to Seller for the use of any intellectual property rights of any third party (other than off-the-shelf, commercially available Software), in each case including, without limitation, royalty Contracts or management, consulting or advisory contracts (collectively, the "**Material IP Contracts**");

(xv)

any Contracts with any Governmental Authority;

(xvi)

any Contract that relates to the settlement of any legal proceeding;

(xvii)

any other Contract that would be required to be filed with the United States Securities and Exchange Commission as an exhibit to a registration statement on Form S-1 if the Business was registering securities under the Securities Act; and

(xviii)

any Contract or other arrangements between Seller, on the one hand, and any Related Parties, on the other hand (each, an "**Affiliate Arrangement**").

(b)

Seller has made available to Buyer true and complete copies of all Material Contracts and all amendments thereto. Except as would not, individually or in the aggregate, be expected to be material to the Business

taken as a whole, each Material Contract (i) is valid and binding on Seller and, to the Knowledge of Seller, the counterparties thereto and is in full force and effect, enforceable against Seller, and, to the Knowledge of Seller, against all third parties, in each case in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether considered in a proceeding in equity or at law); and (ii) shall continue in full force and effect upon consummation of the transactions contemplated by this Agreement, and enforceable against Buyer, and, to the Knowledge of Seller, against all third parties, in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether considered in a proceeding in equity or at law). Except as set forth in Section 4.06(b) of the Disclosure Schedules, Seller is not in material breach of, or default (with or without the giving of notice, lapse of time or both) under, any Material Contract. To the Knowledge of Seller, no other party to any Material Contract is in breach or default thereunder, nor, to the Knowledge of Seller, does any condition exist that with the lapse of time or both would constitute a default by any such other party thereunder. No other party to any Material Contract has (i) notified Seller that such other party intends to cancel or otherwise terminate such Material Contract or (ii) since January 1, 2020, taken any action or threatened to take any action, with respect to seeking a repayment of amounts paid to Seller pursuant to such Material Contract or a reduction in fees or other payments that will become due to Seller pursuant to such Material Contract.

Section 4.07 Intentionally omitted.

Section 4.08
Intellectual Property.

(a)

Section 4.08(a) of the Disclosure Schedules set forth an accurate and complete list of (i) all Domain Names included in the Intellectual Property Assets of which Seller is the registrant or beneficial owner specifying for each its registrant (and, if anonymized, the beneficial owner) and renewal date, and whether it is active (collectively, the "**Business Registered Domain Names**"); (ii) all registered Marks, pending applications for registration of Marks included in the Intellectual Property Assets (collectively, the "**Business Registered Marks**"); (iii) all Patents included in the Intellectual Property Assets (collectively, the "**Business Patents**"); and (iv) all registered and material unregistered Copyrights (including, without limitation, software programs and proprietary databases) and all pending applications for registration of Copyrights included in the Intellectual Property Assets (collectively, the "**Business Registered Copyrights**") and, together with the Business Registered Domain Names, the Business Registered Marks and the Business Patents, the "**Business Registered IP**", indicating as to each item in (ii)-(iv) as applicable: (i) the current owner; (ii) the jurisdictions in which the item is issued or registered or in which any application for issuance or registration has been filed, (iii) the respective issuance, registration, or application number of the item, and (iv) the dates of application, issuance or registration of the item. Except as and to the extent disclosed on Section 4.08(a) of the Disclosure Schedules, Seller has timely paid all filing, extension, examination, issuance, post registration and maintenance fees, annuities and the like associated with or required with respect to any of the Business Registered IP, and all documents, assignments, recordations and certificates necessary to be filed by Seller to maintain the effectiveness of the Business Registered IP and to secure and record title to Business Registered IP have been filed with the relevant patent, copyright, trademark or other authorities in the United States or other foreign jurisdictions, as the case may be, so that no item required to be listed on Section 4.08(a) of the Disclosure Schedules has lapsed, expired or been abandoned or canceled other than in the ordinary course

of business.

(b)

To the Knowledge of Seller, all Intellectual Property and Technology in which Seller has rights and which are material to the conduct of the Business (i) are valid and enforceable (with respect to the CERES-MNG Patent Application, to the extent a Patent application is enforceable) and (ii) are not subject to any outstanding injunction, judgment, order, decree, ruling or charge, including allegations of infringement, against Seller of which Seller has received notice. The Contracts set forth in [Section 4.08\(b\)](#) of the Disclosure Schedule are the only Material Contracts to which Seller is a party and which provides for the license of Intellectual Property or Technology to Seller.

(c)

Seller owns all right, title and interest in and to the Business Registered IP and is entitled to use such Business Registered IP in the operation of the Business as currently conducted, free and clear of all Encumbrances other than Permitted Encumbrances. Seller owns all right, title and interest in and to, or has a valid, enforceable and continuing license or right to use, practice, manufacture, have manufactured, sell, offer for sale, import, export, exploit and license, each other item of Intellectual Property or Technology ("**Intellectual Property Rights**") included in the Intellectual Property Assets, and is entitled to use such Intellectual Property Assets in the operation of the Business as currently conducted, free and clear of all Encumbrances other than Permitted Encumbrances. For the avoidance of doubt, the representations and warranties set forth in this Section 4.08(c) do not apply to the infringement upon or misappropriation or violation of the Intellectual Property of any third party, which are covered in Section 4.08(f).

(d)

Except with respect to the Assigned Contracts and licenses of commercial off-the-shelf Software available on reasonable terms for a license fee of no more than \$50,000 per annum, Seller is not obligated to make any payments by way of royalties, fees or otherwise to any owner or licensor of, or other claimant to, any Intellectual Property Rights, with respect to the use thereof or in connection with the conduct of the Business as currently being conducted (including all research and development).

(e)

Seller has exercised a degree of care that is consistent in all material respects with the standards of the industry in which Seller operates (but in no event less than a reasonable degree of care) in order to protect the secrecy and maintain the confidentiality and legal validity of all Trade Secrets included in the Intellectual Property Assets. Except as set forth in [Section 4.08\(e\)](#) of the Disclosure Schedules, no material (individually or in the aggregate) Trade Secret has been disclosed or authorized to be disclosed to any third party other than pursuant to a non-disclosure agreement that protects Seller's proprietary interests in and to such Trade Secrets.

(f)

Except as and to the extent disclosed on [Section 4.08\(f\)](#) of the Disclosure Schedules and to the Knowledge of Seller, the conduct of the Business as currently conducted, does not infringe upon or misappropriate or violate the Intellectual Property of any third party. Except as and to the extent disclosed on Section 4.08(f) of the Disclosure Schedules, Seller have not received written or, to the Knowledge of Seller, oral, notice of any claim or notice asserting that the conduct of the Business by Seller as currently conducted infringes upon or misappropriates the Intellectual Property of any third party.

(g)

There are no claims asserted or threatened by Seller that a third party infringes or otherwise violates any of the Business Registered IP or any other rights protecting Intellectual Property or Technology owned by or exclusively licensed to Seller. To the Knowledge of Seller, no third party is misappropriating, infringing or violating any Intellectual Property or Technology owned by or exclusively licensed to Seller.

(h)

The Business Registered IP and the other Intellectual Property or Technology owned by Seller and included in the Intellectual Property Assets are sufficient for the continued conduct of the Business by Buyer after the Closing Date in the same manner as such business was conducted prior to the Closing Date in all material respects. However, Seller makes no representation or warranty as to whether a Patent will ever issue from the CERES-MNG Patent Application. Neither the execution of this Agreement nor the consummation of any transaction contemplated hereby will materially and adversely affect any of Buyer's rights in and to the Intellectual Property Assets.

(i)

Seller has not granted any options, licenses or agreements of any kind relating to any Intellectual Property outside of nonexclusive end use terms of service and customer agreements entered in the ordinary course (copies of which have been provided to Buyer).

(j)

Section 4.08(j) of the Disclosure Schedules sets forth all Intellectual Property that relates or pertains to the Business and is not part of the Purchased Assets.

Section 4.09

Legal Proceedings; Governmental Orders.

(a)

There are no Actions or other legal proceedings pending or, to the Knowledge of Seller, threatened in writing against or by Seller relating to or affecting the Business, the Purchased Assets or the Assumed Liabilities, or that would affect the legality, validity or enforceability of this Agreement or any Transaction Documents or the consummation of the transactions contemplated hereby or thereby. No event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Action or other legal proceeding.

(b)

There are no outstanding Governmental Orders, or inquiry pending before a Governmental Authority or, to the Knowledge of Seller, threatened in writing against Seller and no unsatisfied judgments, penalties or awards against, relating to or affecting the Business or the Purchased Assets or the Assumed Liabilities, or that would affect the legality, validity or enforceability of this Agreement or any Transaction Documents or the consummation of the transactions contemplated hereby or thereby. No event has occurred or circumstances exist that may constitute or result in (with or without notice or lapse of time) a violation of any such Governmental Order.

Section 4.10

Compliance With Laws; Permits.

(a)

Seller is in compliance with all Laws applicable to the conduct of the Business as currently conducted and the ownership and use of the Purchased Assets, and Seller has been in compliance with all Laws applicable to the Business and the ownership and use of the Purchase Assets during the two (2) years prior to the date hereof except as would not, individually or in the aggregate, be expected to be material to the Business taken as a whole. Seller has not received any written notice that any violation of the foregoing is being alleged.

(b)

No Permits are required for Seller to conduct the Business as currently conducted or for the ownership and use of the Purchased Assets.

Section 4.11

Environmental Matters. Seller is and has been in compliance in all material respects with all Environmental Laws applicable to the Business, and has obtained all required Permits in connection therewith and is in compliance in all material respects with the requirements thereunder. During the three years prior to the date hereof, Seller has not received any written notice from any Governmental Authority or any written notice from any citizens group or other Person that alleges that Seller is not in compliance with any Environmental Law.

Section 4.12

Employment Matters.

There are no employees or employee benefit plans.

Section 4.13

Taxes.

(a)

Seller has filed (taking into account any valid extensions) all Tax Returns with respect to the Business and Purchased Assets required to be filed by Seller. Such Tax Returns are, or will be, true, complete and correct in all respects. All Taxes due and owing by Seller (whether or not shown on any Tax Return) have been, or will be, timely paid.

(b)

Seller has withheld and paid each Tax required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, customer, shareholder or other party, and complied with all information reporting and backup withholding provisions of applicable Law.

(c)

No extensions or waivers of statutes of limitations have been given or requested with respect to any Taxes of Seller.

(d)

All deficiencies asserted, or assessments made, against Seller as a result of any examinations by any Governmental Authority have been fully paid.

(e)

No jurisdiction where Seller does not file a Tax Return has made a claim in writing that Seller is required

to file a Tax Return relating to the Business or the Purchased Assets for such jurisdiction or that any Taxes relating to the Business or the Purchased Assets are due as a result of doing business in any such jurisdiction.

(f)

Seller is not a “*foreign person*” as that term is used in Treasury Regulations Section 1.1445-2.

(g)

There are no Encumbrances for Taxes upon any of the Purchased Assets nor is any Governmental Authority in the process of imposing any Encumbrances for Taxes on any of the Purchased Assets, other than Permitted Encumbrances.

(h)

No power of attorney that is currently in effect has been granted by Seller with respect to the Business or the Purchased Assets (other than powers of attorney granted in the ordinary course of business, such as to a payroll provider).

(i)

The Purchased Assets do not include any stock or other ownership interests in any corporations, partnerships, joint ventures, limited liability companies, business trusts, or other entities.

(j)

None of the Purchased Assets are (i) property required to be treated as being owned by another Person pursuant to the provisions of Section 168(f)(8) of the Internal Revenue Code of 1954, as amended and in effect immediately prior to the enactment of the Tax Reform Act of 1986, (ii) “tax-exempt use property” within the meaning of Section 168(h)(1) of the Code, or (iii) “tax-exempt bond financed property” within the meaning of Section 168(g) of the Code.

(k)

Seller is not a party to any Tax allocation, Tax sharing or Tax indemnification agreement other than any such agreement entered into in the ordinary course of business (such as a loan or a lease) the primary purpose of which is unrelated to Taxes. Seller has not ever been a member of any affiliated group within the meaning of Section 1504(a) of the Code, or any similar provision of state, local or foreign Law (other than an affiliated group the parent of which is Seller).

(l)

Seller is not currently a party to any pending examination, audit, Action, administrative or judicial proceeding relating to Taxes, nor, to the Knowledge of Seller, has any examination, audit, Action or proceeding been threatened in writing by any Governmental Authority, and no claim for assessment or collection of Taxes which previously has been asserted relating in whole or in part to Seller that remains unpaid.

Section 4.14

Brokers. No broker, finder, investment banker or similar Person is entitled to any brokerage, finder’s or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of Seller.

Section 4.15

Privacy and Data Security.

(a)

Seller has been and is in compliance in all material respects with all applicable Laws regarding the collection, creation, processing, use, disclosure, storage, transfer and secure destruction of Sensitive Data, which was collected or processed in connection with the Business (collectively, “**Data Protection Laws**”). Except as would not, individually or in the aggregate, be expected to be material to the Business taken as a whole, Seller has made all required material filings, disclosures and registrations under applicable Data Protection Laws with any relevant Governmental Authority, to the extent applicable, and all such filings, disclosures and registrations are current and up-to-date) in all material respects. Section 4.15(a) of the Disclosure Schedules sets forth a complete list of all such filings, disclosures and registrations.

(b)

Seller has established, implemented, and maintains privacy, data security and cybersecurity policies, programs and procedures that are in compliance in all material respects with any applicable Law, applicable industry practices, and Seller’s obligations under any Contracts.

(c)

Seller has complied and is in compliance with its online and internal privacy policies in all material respects.

Section 4.16

Customers and Suppliers.

Intentionally omitted.

Section 4.17

Transactions with Affiliates.

(a)

Section 4.17(a) of the Disclosure Schedules sets forth all Affiliate Arrangements.

(b)

Except as set forth in Section 4.17(b) of the Disclosure Schedules no Related Party possesses, directly or indirectly, any financial interest in or is a director, officer, manager or employee of any Person which is a client, supplier, distributor, customer, lessor, lessee, financial source or competitor or potential competitor of Seller or the Business.

Section 4.18

No Unlawful Payments; FCPA. Neither Seller nor any director or officer of Seller, nor, to the Knowledge of Seller, any employee, agent, controlled affiliate or other Person acting on behalf of Seller has, in the operation of the Business, (a) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity, (b) made any direct or indirect unlawful payment to any government official or employee, (c) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, (d) violated or is in violation of any provision of the Bribery Act 2010 of the United Kingdom or (e) made, offered, or taken an act in furtherance of any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

Section 4.19

Compliance with Money Laundering Laws. The operations of the Business by Seller have been conducted at all times in material compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the applicable money laundering statutes of all jurisdictions where Seller operates the Business, the applicable rules and regulations thereunder and any applicable, related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Authority (collectively, the “**Money Laundering Laws**”) and no Action or proceeding by or before any court or Governmental Authority or body or any arbitrator involving Seller with respect to any applicable Money Laundering Laws is pending or, to the Knowledge of Seller, threatened.

Section 4.20

No Conflicts with Sanctions Laws. Seller nor, to the Knowledge of Seller, any director, officer, agent or employee of Seller is currently subject to any sanctions administered or imposed by the United States (including any administered or enforced by the Office of Foreign Assets Control of the U.S. Treasury Department, the U.S. Department of State, or the Bureau of Industry and Security of the U.S. Department of Commerce), the United Nations Security Council, the European Union, or the United Kingdom (including sanctions administered or controlled by Her Majesty’s Treasury) (collectively, “**Sanctions**”) in connection with the operation of the Business. Neither Seller, nor, to the Knowledge of Seller, any director, officer, agent or employee of Seller, is a Person that is, or is controlled by a Person that is (a) the subject of any Sanctions or (b) located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions that broadly prohibit dealings with that country or territory (currently, Cuba, Iran, North Korea, Sudan, and Syria).

Section 4.21

Exclusivity of Representations and Warranties. Except for the representations and warranties contained in this Article IV (including all Disclosure Schedules referenced in this Article IV) and elsewhere in this Agreement, neither the Seller nor any other Person on behalf of the Seller has made, nor are any of them making, any express or implied representation or warranty, either written or oral, at law or in equity, on behalf or in respect of the Seller or the Purchased Assets, including (a) any representation or warranty as to future revenue, profitability, results of operations, cash flows or financial condition of or success of the Business, or any component of any of the foregoing (the inherent uncertainties of which Buyer acknowledges), (b) any representation or warranty with respect to merchantability, fitness for any particular purpose, title, or noninfringement (except for the representations and warranties set forth in Section 4.08), or (c) any representation or warranty arising from statute or otherwise in law. Buyer acknowledges and agrees that, in making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, Buyer has relied solely upon the express representations and warranties of the Seller set forth in Article IV and disclaims reliance on any other representations and warranties, of any kind or nature, express or implied (including of the nature described in clauses (a), (b) and (c) above). Notwithstanding the foregoing, nothing in this Section 4.21 or any other provision of this Agreement shall be a defense against or a limit to Buyer’s ability to bring a claim for Fraud or constructive fraud.

Section 4.22

Disclosure. No representation or warranty made by Seller contained in this Agreement, and no statement contained in the Disclosure Schedules or in any certificate furnished to Buyer pursuant to any provision of this Agreement, contains any untrue statement of a material fact or omits to state a material fact

necessary in order to make the statements herein or therein, in the light of the circumstances under which they were made, not misleading in any material respect. Seller acknowledges and agrees that, in making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, Buyer has relied on the representations and warranties set forth in this Article IV and otherwise in this Agreement (including all Disclosure Schedules referenced in this Article IV), and that such representations and warranties in this Article IV are a major inducement to Buyer's decision to enter into this Agreement and to consummate the transactions contemplated hereby.

Section 4.23

Private Placement. Each of Seller and Purchaser acknowledges that the offer and sale of the common shares being issued hereunder as part of the consideration for the Sale (such common share issuance, the "**Transaction**") is intended to be exempt from registration under the Securities Act, as amended, by virtue of Section 4(a)(2) thereof. Accordingly, Seller represents and warrants to Purchaser that (i) it has the financial ability to bear the economic risk of its investment in the Transaction and is able to bear a total loss of its investment and its investments in and liabilities in respect of the Transaction, which it understands are not readily marketable, are not disproportionate to its net worth, and it is able to bear any loss in connection with the Transaction, including the loss of its entire investment in the Transaction, (ii) it is an "accredited investor" as that term is defined in Regulation D as promulgated under the Securities Act, (iii) it is entering into the Transaction for its own account and without a view to the distribution or resale thereof, (iv) it understands that the assignment, transfer or other disposition of the Transaction has not been and will not be registered under the Securities Act and is restricted under this Agreement, the Securities Act and state securities laws, and (v) its financial condition is such that it has no need for liquidity with respect to its investment in the Transaction and no need to dispose of any portion thereof to satisfy any existing or contemplated undertaking or indebtedness and is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of the Transaction.

ARTICLE V REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller that the statements contained in this Article V are true and correct as of the date hereof and as of the Closing Date.

Section 5.01

Organization of Buyer. The Buyer is duly organized, validly existing and in good standing under the Laws of British Columbia

Section 5.02

Authority of Buyer. Buyer has all necessary organizational power and authority to enter into this Agreement and the other Transaction Documents to which Buyer is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Buyer of this Agreement and any other Transaction Document to which Buyer is a party, the performance by Buyer of its obligations hereunder and thereunder and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly authorized by all requisite organizational power on the part of Buyer. This Agreement has been duly executed and delivered by Buyer, and (assuming due authorization, execution and delivery by Seller) this Agreement constitutes a legal, valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or

similar Laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). When each other Transaction Document to which Buyer is or will be a party has been duly executed and delivered by Buyer (assuming due authorization, execution and delivery by Seller and each other party thereto), such Transaction Document will constitute a legal and binding obligation of Buyer enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 5.03

No Conflicts; Consents. The execution, delivery and performance by Buyer of this Agreement and the other Transaction Documents to which Buyer is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) result in a violation or breach of any provision of any organizational document of Buyer; (b) result in a violation or breach of any provision of any Law or Governmental Order applicable to Buyer; or (c) require the consent, notice or other action by any Person under, conflict with, result in a violation or breach of, constitute a default under or result in the acceleration of any agreement to which Buyer is a party, except in the cases of clauses (b) and (c), where the violation, breach, conflict, default, acceleration or failure to give notice would not have a Material Adverse Effect on Buyer's ability to consummate the transactions contemplated hereby. No consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Buyer in connection with the execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, except for such consents, approvals, Permits, Governmental Orders, declarations, filings or notices which would not have a Material Adverse Effect on Buyer's ability to consummate the transactions contemplated hereby and thereby.

Section 5.04

Brokers. Buyer has not used a broker, finder or investment banker in connection with the transactions contemplated hereby, and Buyer shall not have any liability or otherwise suffer or incur any loss as a result of or in connection with any brokerage, finder's fee, investment banker's fee or other commission of any Person retained by Seller in connection with this Agreement, the Transaction Documents or any of the transactions contemplated hereby and thereby (or any Person who is entitled to any broker's commission, finder's fee, investment banker's fee or similar payment).

Section 5.05

Sufficiency of Funds. Buyer currently has, and will have as of the Closing, sufficient cash on hand or other sources of immediately available funds to enable it to make payment of the Purchase Price and consummate the transactions contemplated by this Agreement.

Section 5.06

Legal Proceedings. There are no Actions or other legal proceedings pending or, to Buyer's knowledge, threatened in writing against or by Buyer or any Affiliate of Buyer that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement.

Section 5.07

Independent Investigation. Buyer has conducted its own independent investigation, review, and analysis of the Business, the Purchased Assets, and the Assumed Liabilities, and acknowledges that it has been provided adequate access to the personnel, properties, assets, premises, books and records, and other

documents and data of Seller for such purpose. Buyer acknowledges and agrees that: (a) in making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, Buyer has relied solely upon its own investigation and the representations and warranties set forth in this Agreement including but not limited to Article IV; and (b) neither Seller nor any other person or entity has made any representation or warranty as to Seller, the Business, the Purchased Assets, the Assumed Liabilities, or this Agreement, except as set forth in this Agreement.

Section 5.08

Reporting Company. Buyer has been a reporting company under the Exchange Act since July 9, 2021.

Section 5.09

Capitalization. Buyer's authorized capital stock consists of unlimited shares of common stock, no par value, of which 14,983,761 shares are issued and outstanding. All of the Closing Shares and Post-Closing Shares have been, or will be when issued, duly authorized, validly issued, fully paid and non-assessable, and free and clear of all Encumbrances. Upon consummation of the transactions contemplated by this Agreement including any and all conditions to issuance and release from Escrow, Seller will own all of the Closing Shares and Post-Closing Shares free and clear of all Encumbrances and all of the Closing Shares and Post-Closing Shares will be free of restrictions on transfer other than restrictions on transfer under this Agreement and any applicable state and federal securities laws.

ARTICLE VI COVENANTS

Section 6.01

Conduct of Business Prior to the Closing. Except as otherwise required by this Agreement or applicable Law, during the period on and from the date of this Agreement through and including the Closing Date or the termination of this Agreement, Seller shall (i) conduct the Business in the ordinary course consistent with past practices in all material respects, (ii) maintain and preserve intact the current organization, operations and franchise of the Business, (iii) use its best efforts to preserve goodwill and relationships of its Business Employees, customers, lenders, suppliers, regulators and others having relationships with the Business. Except as otherwise required by this Agreement or applicable Law, during the period on and from the date of this Agreement through and including the Closing Date or the termination of this Agreement, Seller will not, without the prior written consent of Buyer (not to be unreasonably withheld, conditioned or delayed), in each case solely with respect to the Business:

(a)

mortgage, pledge, subject to a lien, or grant a security interest in, or suffer to exist or otherwise encumber, any of the Purchased Assets, excluding guarantees and letters of credit provided to customers in the ordinary course of business or any Encumbrances existing on the date hereof;

(b)

sell, dispose of or license any of the Purchased Assets to any Person, except licenses in the ordinary course of business and consistent with past practices;

(c)

intentionally omitted;

(d)

fail to pay and discharge any trade payables or other material obligations relating to the Purchased Assets or the Business in accordance with Seller's customary business practices as of the date hereof;

(e)

change financial accounting methods relating to or affecting the Purchased Assets, the Assumed Liabilities or the Business;

(f)

write up, write down or write off the book value of any Purchased Assets, except as consistent with past practices;

(g)

amend or terminate any Assigned Contracts, except in the ordinary course of business;

(h)

amend the certificate of incorporation or by-laws of Seller;

(i)

incur any Indebtedness or guarantee Indebtedness of another Person;

(j)

take any action to terminate or modify, or permit the lapse or termination of, the present insurance policies and coverage of Seller relating to or applicable to the Business or the Purchased Assets;

(k)

enter into, modify, amend, terminate or waive any material right or obligation under any Contract that would constitute a Material Contract, except in the ordinary course of business and consistent with past practices (whether directly or through distributors, resellers, partners and the like);

(l)

abandon or fail to maintain any Intellectual Property Assets;

(m)

grant or make any commitment to grant any retention, severance or termination payment to any consultant;

(n)

make any other material change in employment terms for any Business Employee;

(o)

fail to comply in all material respects with all Laws applicable to the conduct of the Business or the ownership and use of the Purchased Assets;

(p)

with respect to the Business, the Purchased Assets or the Assumed Liabilities: (i) make or change any Tax election, (ii) change an annual Tax accounting period or change a method of Tax accounting (except as required by Law), (iii) file any amended Tax Returns or make any claim for Tax refunds, (iv) enter into

any closing agreement relating to Taxes or (v) settle any Tax claim, audit or assessment;

(q)

fail to maintain true, complete and accurate Books and Records in a manner consistent with Seller's past practices; or

(r)

agree to do any of the things described in the preceding clauses of this Section 6.01.

Section 6.02

Access to Information. From the date hereof until the Closing or the termination of this Agreement, Seller shall (a) afford Buyer and its Representatives reasonable access to and the right to inspect all of the properties, assets, premises, Books and Records, Assigned Contracts and other documents and data related to the Business; (b) furnish Buyer and its Representatives with such financial, operating and other data and information related to the Business as Buyer or any of its Representatives may reasonably request; and (c) instruct its Representatives to cooperate with Buyer with respect to the foregoing; *provided, however*, that any such investigation shall be conducted at Buyer's sole cost and expense during normal business hours upon reasonable advance notice to Seller, under the supervision of Seller's personnel and in such a manner as not to interfere with the conduct of the Business or any other businesses of Seller. All requests by Buyer for access pursuant to this Section 6.02 shall be submitted or directed exclusively to Seller or such other individuals as Seller may designate in writing from time to time. Prior to the Closing, without the prior written consent of Seller, which consent can be withheld for any reason, Buyer shall not contact any suppliers to, or customers of, the Business.

Section 6.03

Intentionally omitted.

Section 6.04

Confidentiality. Each party acknowledges and agrees that the Confidentiality Agreement remains in full force and effect and information provided pursuant to this Agreement shall remain subject to the Confidentiality Agreement; *provided, however*, that notwithstanding anything in this Agreement to the contrary, Buyer and/or Seller may make any disclosure to the extent it is required to do so to comply with any securities laws or stock exchange regulations. If this Agreement is, for any reason, terminated prior to the Closing, the Confidentiality Agreement and the provisions of this Section 6.04 shall nonetheless continue in full force and effect.

Section 6.05

Books and Records.

(a)

In order to facilitate the resolution of any claims made against or incurred by Seller, or for any other reasonable purpose, for a period of seven years after the Closing, Buyer shall:

(i)

retain the Books and Records (including personnel files) relating to periods prior to the Closing; and

(ii)

upon reasonable notice, afford Seller's Representatives reasonable access (including the right to make, at Seller's expense, electronic or photocopies), during normal business hours, to such Books and Records (subject to the delivery of customary confidentiality undertakings to the satisfaction of Buyer).

(b)

In order to facilitate the resolution of any claims made by or against or incurred by Buyer after the Closing, or for any other reasonable purpose, for a period of seven years after the Closing, Seller shall:

(i)

retain the books and records (including personnel files) of Seller which relate to the Business and its operations for periods prior to the Closing; and

(ii)

upon reasonable notice, afford Buyer's Representatives reasonable access (including the right to make, at Buyer's expense, electronic or photocopies), during normal business hours, to such books and records.

(c)

Neither Buyer nor Seller shall be obligated to provide the other party with access to any books or records (including personnel files) pursuant to this Section 6.05 where such access would violate any Law, fiduciary duty, contractual obligation or attorney-client privilege of such party.

Section 6.06

Public Announcements. Buyer, on the one hand, and Seller, on the other hand, shall consult with each other before issuing any press release or otherwise making any public statement with respect to this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby and shall not issue any such press release or make any such public statement without the prior written consent of the other, which consent shall not be unreasonably withheld or delayed; *provided, however*, that Buyer or Seller may, without the prior written consent of the other party, issue such press release or make such public statement as may, upon the advice of counsel, be required by applicable Law or stock exchange requirements. Notwithstanding the foregoing, following the Closing the parties may issue a press release or other public statement with respect to the this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby, as long as such press release or public statement does not disclose the material terms of this Agreement or the other Transaction Documents (including the material terms of the consideration payable to Seller) except to the extent required, upon the advice of counsel, by applicable Law or stock exchange requirements.

Section 6.07

Bulk Sales Laws. The parties hereby waive compliance with the provisions of any bulk sales, bulk transfer or similar Laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Purchased Assets to Buyer; it being understood that any liabilities arising out of the failure of Seller to comply with requirements and provisions of any bulk sales, bulk transfer or similar Laws of any jurisdiction which would not otherwise constitute Assumed Liabilities shall be treated as Excluded Liabilities.

Section 6.08

Tax Matters.

(a)

Seller and Buyer agree to furnish or cause to be furnished to the other, upon request, as promptly as

practicable, information and assistance relating to the Business and the Purchased Assets, including access to books and records, as is reasonably necessary in connection with (i) the preparation or filing of any Tax Return by Buyer or Seller, (ii) the making of any Tax election by Buyer or Seller, (iii) Buyer or Seller's claim for any Tax refund, (iv) the determination of liability for Taxes, and (v) any audit, examination or other proceeding in respect of Taxes related to the Business or the Purchased Assets. Each of Buyer and Seller shall retain all Tax Returns, work papers and other material records or other documentation in its possession (or in the possession of any Affiliate) in respect of Tax matters relating to the Business and the Purchased Assets for any Tax period that includes the Closing Date and all prior taxable periods until the expiration of the statute of limitations of the taxable periods to which such Tax Returns and other documents relate.

(b)

All transfer, documentary, sales, use, stamp, registration, value added and other similar Taxes and fees (including any additions thereto, penalties and interest) incurred in connection with this Agreement and the other Transaction Documents (including any real property transfer Tax and any other similar Tax) ("**Transfer Taxes**") shall be divided, borne and paid equally 50% by Buyer and 50% by Seller when due. All necessary documentation and Tax Returns with respect to such Transfer Taxes shall be prepared and filed by the party required under applicable Law to file such Tax Returns. If required by applicable Law, Seller and Buyer shall, and shall cause their respective Affiliates to, cooperate in preparing and filing, and join in the execution of, any such Tax Returns. Seller and Buyer shall cooperate in providing each other with any appropriate certification and other similar documentation relating to exemption from Transfer Taxes (including any appropriate resale exemption certifications), as provided under applicable Law.

Section 6.09

Non-Solicitation/Non-Competition.

(a)

Seller agrees that, for the period commencing on the Closing Date and expiring on the three (3) year anniversary of the Closing Date, Seller shall not and shall cause its respective Affiliates not to directly or indirectly, (i) contact, approach, hire or solicit for the purpose of offering employment or any similar arrangement any Buyer Employee or independent contractor to whom Seller was introduced in connection with the Sale, or (ii) assist any other Person in hiring any Buyer Employee or independent contractor; *provided, however*, that this Section 6.09(a) shall not prohibit general solicitations for employment through advertisements or other means not directly targeted at the employees of the Business (including, without limitation, Business Employees and Buyer Employees), or apply to any Business Employees that are not Buyer Employees or Buyer Employees that are terminated by the Buyer after the Closing Date due to no fault of such employee.

(b)

Seller agrees that, for the period commencing on the Closing Date and expiring on the three (3) year anniversary of the Closing Date, Seller shall not and shall cause its respective Affiliates not to directly or indirectly, (i) own, operate, acquire or establish a business, or in any other manner engage alone or with others any activity, that is competitive with the Business (whether as an operator, manager, employee, officer, director, consultant, advisor, representative or otherwise), except for the passive ownership of publicly-traded securities constituting not more than two percent of the outstanding securities of the issuer thereof, and including, for the avoidance of doubt, through the use of any knowledge of the Business to promote business with advertisers and agencies through competitors of the Business, or (ii) induce or attempt to induce any customer, supplier or other business relation of the Business to cease or

refrain from doing business with the Business, or in any way interfere with the relationship between any such customer, supplier or other business relation and the Business (including, without limitation, by making any negative or disparaging statements or communications regarding the Business).

(c)

Buyer agrees that, for the period commencing on the Closing Date and expiring on the second anniversary of the Closing Date, Buyer shall not and shall not direct any of its controlled Affiliates to, (ii) contact, approach, hire or solicit for the purpose of offering employment or any similar arrangement any employee of Seller who is not a Buyer Employee or (ii) assist any other Person in hiring any such employee; *provided, however*, that this Section 6.10(c) shall not prohibit general solicitations for employment through advertisements or other means not directly targeted at the employees of Seller or apply to any such employee who is terminated by Seller after the Closing Date due to no fault of such employee.

Section 6.10

Further Assurances. Following the Closing, each of the parties hereto shall, and Seller shall cause its Affiliates to, execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the other Transaction Documents.

Section 6.11

Third Party Consents. Seller shall use best efforts to give all notices, obtain all consents and to and make all filings with third parties that are required under this Agreement.

Section 6.12

Closing Conditions. From the date hereof until the Closing, each party hereto shall use best efforts to take such actions as are necessary to expeditiously satisfy the closing conditions set forth in Article VII hereof.

Section 6.13

Termination of Related Party Agreements. Except as otherwise set forth herein or in any other Transaction Document, at or prior to Closing, all Contracts, whether written or oral, between Seller and/or any of its Affiliates, on the one hand, and any Buyer Employee, on the other hand, shall be terminated without any further force and effect, and Seller and/or any of its Affiliates shall release the counterparties to such Contracts for any further liabilities or obligations with respect to Seller thereunder; *provided*, that this Section 6.13 shall not relieve Seller of its other obligations under this Agreement with respect to the termination of the Affiliate Agreements.

Section 6.14

Intentionally omitted.

Section 6.15

Intentionally omitted.

Section 6.16

Intentionally omitted.

Section 6.17

Advise of Changes. Seller shall promptly advise Buyer of (a) any notice or other communication from

any person alleging that the consent of such person is or may be required in connection with the transactions contemplated by this Agreement, (b) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement, (c) any Actions commenced, or to Seller's Knowledge, threatened in writing, against Seller or any of its Subsidiaries, as applicable, that are related to the transactions contemplated by this Agreement, and (d) any fact, change, event or circumstance known to Seller, any breach, inaccuracy or misrepresentation of a representation or warranty of Seller set forth in this Agreement or any breach or non-performance of a covenant or obligation of Seller set forth in this Agreement (i) that has had or would reasonably be expected to have, either individually or in the aggregate with all other such matters, a Material Adverse Effect, or (ii) which Seller believes would or would be reasonably expected to cause a condition to Closing set forth in Article VII to not be satisfied. In no event shall (x) the delivery of any notice by Seller pursuant to this Section 6.17 limit or otherwise affect the respective rights, obligations, representations, warranties, covenants or agreements of Seller or the conditions to the obligations of Seller under this Agreement, or (y) disclosure by Seller be deemed to amend or supplement the Disclosure Schedules or constitute an exception to any representation or warranty.

Section 6.18

Intentionally omitted.

Section 6.19

Transaction Litigation. Seller shall promptly notify Buyer in writing of any action, arbitration, audit, hearing, investigation, litigation, suit, subpoena or summons issued, commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Authority or arbitrator pending or, to the Knowledge of Seller, threatened against Seller, its Subsidiaries or any of their respective directors or officers relating to the transactions contemplated by this Agreement, including the Sale ("**Transaction Litigation**"), Seller shall control the defense of any Transaction Litigation threatened against Seller or its Subsidiaries; *provided, however*, that Seller shall (a) give Buyer the right to review and comment on all material filings or responses to be made by Seller in connection with any such Transaction Litigation (and Seller shall in good faith take such comments into account), and the opportunity to participate at Buyer's expense in the defense and settlement of, any such Transaction Litigation and (b) if Buyer does not exercise such right to participate (subject to Seller's control right), keep Buyer reasonably and promptly informed with respect to the status of such Transaction Litigation. Seller agrees that it shall not settle, or offer to settle, any Transaction Litigation without the prior written consent of Buyer (such consent not to be unreasonably withheld, conditioned or delayed).

ARTICLE VII CONDITIONS TO CLOSING

Section 7.01

Conditions to Obligations of All Parties. The obligations of each party to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of the following condition:

No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Governmental Order that is in effect and has the effect of making the transactions contemplated by this Agreement illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated hereunder to be rescinded following completion thereof.

Section 7.02

Conditions to Obligations of Buyer. The obligation of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Buyer's waiver, at or prior to the Closing, of each of the following conditions:

(a)

The representations and warranties of Seller contained in Article IV (other than the Seller Fundamental Representations) shall be true and correct in all material respects as of the Closing Date and the Seller Fundamental Representations shall be true and correct in all respects, in each case, with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct in all material respects as of that specified date); *provided, however*, that representations and warranties qualified by Material Adverse Effect or other materiality qualifier must instead be true and correct in all respects;

(b)

Seller shall have duly performed and complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by them prior to or at the Closing;

(c)

Seller shall have delivered to Buyer duly executed counterparts to the Transaction Documents (other than this Agreement and the Employment Agreements) and such other documents and deliverables set forth in Section 3.02(a);

(d)

Buyer shall have received a certificate, dated the Closing Date and signed on behalf of Seller by a duly authorized officer (in such Person's capacity as such and not individually), that each of the conditions set forth in Section 7.02(a) and Section 7.02(b) have been satisfied (the "**Closing Certificate**");

(e)

Buyer shall have received a certificate pursuant to Treasury Regulations Section 1.1445-2(b) that Seller is not a foreign person within the meaning of Section 1445 of the Code duly executed by Seller;

(f)

Since the date of this Agreement, there shall not have been a Material Adverse Effect;

(g)

Seller shall have delivered executed Forbearance Agreements;

(h)

Each Scientist has executed and delivered to Buyer, or is in a position to execute and deliver as of the Closing, an Employment Agreement.

Section 7.03

Conditions to Obligations of Seller. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Seller's waiver, at or prior to the Closing, of each of the following conditions:

(a)

The representations and warranties of Buyer contained in Article V shall be true and correct in all

material respects as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct in all material respects as of that specified date); *provided, however*, that representations and warranties qualified by Material Adverse Effect or other materiality qualifier must instead be true and correct in all respects;

(b)

Buyer shall have duly performed and complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it prior to or at the Closing;

(c)

Buyer shall have delivered to the Seller the Closing Payment Amount, a certificate (or certificates) evidencing the Closing Shares which are restricted as to resale and issued under a private placement exempt from registration under Section 4(a)(2) of the Securities Act, duly executed counterparts to the Transaction Documents (other than this Agreement) and such other documents and deliveries set forth in Section 3.02(b);

(d)

Seller shall have received a certificate, dated the Closing Date and signed on behalf of Buyer by a duly authorized officer of Buyer (in such Person's capacity as such and not individually), that each of the conditions set forth in Section 7.03(a) and Section 7.03(b) have been satisfied (the "**Buyer Closing Certificate**");

(e)

Seller shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Buyer as to matters set forth in Section 3.02(b)(iv); and

(f)

Buyer and each Scientist have executed and delivered, or are each in a position to execute and deliver as of the Closing, an Employment Agreement.

ARTICLE VIII INDEMNIFICATION

Section 8.01

Survival. Subject to the limitations and other provisions of this Agreement, the representations and warranties contained herein shall survive the Closing and shall remain in full force and effect until the date that is fifteen (15) months from the Closing Date (the "**Expiration Date**"); *provided, however*, (i) that the representations and warranties contained in Section 4.01 (Organization and Qualification of Seller), Section 4.02 (Authority of Seller), Section 4.07 (Title to Tangible Personal Property), and Section 4.13 (Taxes) (collectively, the "**Seller Fundamental Representations**"), and Section 5.01 (Organization of Buyer), Section 5.02 (Authority of Buyer) and Section 5.04 (Brokers) (collectively, the "**Buyer Fundamental Representations**") shall survive the Closing indefinitely, and (ii) the representations and warranties contained in Section 4.08 (Intellectual Property) (the "**Seller IP Representations**") shall survive the Closing and shall remain in full force and effect until the date that is 36 months from the Closing. None of the covenants or other agreements contained in this Agreement shall survive the Closing Date other than those which by their terms contemplate performance after the Closing Date, and each such surviving covenant and agreement shall survive the Closing for the period contemplated by its terms (the applicable period of survival with respect to any representation, warranty, covenant or

agreement, the “**Survival Period**”). Notwithstanding the foregoing, any claims asserted in good faith with reasonable specificity (to the extent known at such time) and in writing by notice from the non-breaching party to the breaching party prior to the Expiration Date of the applicable survival period shall not thereafter be barred by the expiration of such survival period and such claims shall survive until finally resolved. It is the express intent of the parties that, if the applicable Survival Period is shorter than the statute of limitations that would otherwise have been applicable to such item, then, by contract, the applicable statute of limitations with respect to such item shall be reduced to the shortened Survival Period contemplated hereby.

Section 8.02

Indemnification By Seller. After the Closing, subject to the other terms and conditions of this Article VIII, Seller shall indemnify Buyer and its Affiliates and their respective Representatives (collectively, the “**Buyer Indemnified Parties**”) against, and shall hold Buyer Indemnified Parties harmless from and against, any and all Losses incurred or sustained by, or imposed upon, the Buyer Indemnified Parties based upon, arising out of, with respect to or by reason of:

(a)

any inaccuracy in or breach of any of the representations or warranties of Seller contained in this Agreement or in any Transaction Document (for purposes of calculating any Losses arising from such inaccuracy or breach and for purposes of determining whether there has been an inaccuracy in or breach of any such representation or warranty, such representation and warranty shall be read as if it were not qualified by any concept of “material,” “materiality,” “Material Adverse Effect,” or similar qualifiers);

(b)

any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Seller pursuant to this Agreement or in any Transaction Document;

(c)

any Third Party Claims related to the Business, operations, properties, assets or obligations of Seller or any of its Affiliates conducted, existing or arising before the Closing;

(d)

any Excluded Asset or Excluded Liabilities; or

(e)

any claim made by any member of Seller against any Buyer Indemnified Party directly or indirectly related to the Transaction Documents and consummation of the transactions contemplated hereby and thereby.

Section 8.03

Indemnification By Buyer. After the Closing, subject to the other terms and conditions of this Article VIII, Buyer shall indemnify Seller and its Affiliates (collectively, the “**Seller Indemnified Parties**”) against, and shall hold the Seller Indemnified Parties harmless from and against, any and all Losses incurred or sustained by, or imposed upon, the Seller Indemnified Parties based upon, arising out of, with respect to or by reason of:

(a)

any inaccuracy in or breach of any of the representations or warranties of Buyer contained in this Agreement or in any Transaction Document which shall have a Material Adverse Effect (for purposes of

calculating any Losses arising from such inaccuracy or breach and for purposes of determining whether there has been an inaccuracy in or breach of any such representation or warranty, such representation and warranty shall be read as if it were not qualified by any concept of “material,” “materiality,” “Material Adverse Effect,” or similar qualifiers);

(b)

any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Buyer pursuant to this Agreement or in any Transaction Document which shall have a Material Adverse Effect; or

(c)

any Third Party Claims related to the Business, operations, properties, assets or obligations of Buyer or any of its Affiliates conducted or arising after the Closing.

Section 8.04

Certain Limitations. The indemnification provided for in Section 8.02 and Section 8.03 shall be subject to the following limitations:

(a)

The aggregate amount of Losses for which the Buyer Indemnified Parties or Seller Indemnified Parties, as applicable, shall be entitled to indemnification pursuant to this Article VIII shall not exceed \$250,000 (the “**Indemnification Cap**”), other than with respect to the following: (x)(i) claims based on breaches in, or inaccuracies of, the Seller Fundamental Representations or the Seller IP Representations, in which case the aggregate amount of Losses for which the Buyer Indemnified Parties will be entitled to indemnification will not exceed the Purchase Price, (ii) claims arising under Section 8.02(b) through and including 8.02(e), and (iii) claims based on Fraud, criminal activity or willful misconduct of Seller (the claims described in clauses (i), (ii), and (iii), the “**Seller Special Indemnification Matters**”) and (y)(i) claims based on breaches of the Buyer Fundamental Representations, (ii) claims arising under Sections 8.03(b) through and including 8.03(c), and (iii) claims based on Fraud, criminal activity or willful misconduct of Buyer (the claims described in clauses (i), (ii) and (iii), the “**Buyer Special Indemnification Matters**”).

(b)

Seller shall not be liable to the Buyer Indemnified Parties for indemnification under Section 8.02 unless and until the aggregate amount of Losses in respect of indemnification under Section 8.02 exceed \$100,000 (the “**Threshold**”) (provided that any individual or series of related Losses which do not exceed \$50,000 (“**De-Minimis Losses**”) shall not be counted towards the Threshold), at which time the Buyer Indemnified Party shall be indemnified for the amount of Losses in excess of the Threshold, including, for the avoidance of doubt, De-Minimis Losses; *provided, however*, that the Threshold and the exclusion of De-Minimis Losses shall not be applicable with respect to, and each Buyer Indemnified Party shall be entitled to be indemnified for, all Losses arising out of or resulting from the indemnification obligation with respect to Seller Special Indemnification Matters. Buyer shall not be liable to the Seller Indemnified Parties for indemnification under Section 8.03 unless and until the aggregate amount of Losses in respect of indemnification under Section 8.03 exceeds the Threshold (provided that De-Minimis Losses shall not be counted towards the Threshold), at which time the Seller Indemnified Party shall be indemnified for the amount of Losses in excess of the Threshold, including, for the avoidance of doubt, De-Minimis Losses; *provided, however*, that the Threshold and the exclusion of De-Minimis Losses shall not be applicable with respect to, and each Seller Indemnified Party shall be entitled to be indemnified for, all

Losses arising out of or resulting from the indemnification obligation with respect to Buyer Special Indemnification Matters.

(c)

Payments by the Indemnifying Party (as defined in Section 8.05) pursuant to Article VIII in respect of any Loss shall be limited to the amount of any liability or damage that remains after deducting therefrom any insurance proceeds and any indemnity, contribution or other similar payment actually received by the Indemnified Party (as defined in Section 8.05) in respect of any such claim.

(d)

Notwithstanding the foregoing, in no event shall the Indemnifying Party be liable to the Indemnified Party for any punitive, incidental, consequential, special or indirect damages, including loss of future revenue or income, loss of business reputation or opportunity relating to the breach or alleged breach of this Agreement, or any damages based on any type of multiple except to the extent adjudicated and owed to a third party with respect to a Third Party Claim.

(e)

Each Indemnified Party shall take, and cause its Affiliates to take, all reasonable steps to mitigate any Loss, including by pursuing insurance claims and claims against third parties, and shall reasonably consult and cooperate with the Indemnifying Party with a view toward mitigating Losses upon becoming aware of any event or circumstance that would be reasonably expected to, or does, give rise to Losses.

Section 8.05

Indemnification Procedures. The party making a claim under this Article VIII is referred to as the “**Indemnified Party**”, and the party against whom such claims are asserted under this Article VIII is referred to as the “**Indemnifying Party**.” To the extent such amount is agreed to by the parties, in writing, or determined by a court in a final, nonappealable decision, Buyer may, at its option, set off against the Purchase Price or any portion thereof the amount of any indemnifiable Losses in excess of the Threshold such that the number of Post-Closing Shares will be reduced by a number of shares equal to the amount of such Losses in excess of the Threshold divided by the per share price of the Post-Closing Shares, rounded up to the nearest whole number. Notwithstanding the foregoing, nothing in the preceding sentence shall relieve the Indemnified Party from any notice provisions contained herein.

(a)

Third Party Claims. If any Indemnified Party receives written notice of the assertion or commencement of any Action or other legal proceeding made or brought by any Person who is not a party to this Agreement or an Affiliate of a party to this Agreement or a Representative of the foregoing (a “**Third Party Claim**”) against such Indemnified Party, the Indemnified Party shall give the Indemnifying Party prompt written notice thereof (a “**Claim Notice**”). The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations unless, and then solely to the extent that, the Indemnifying Party is materially prejudiced by that notice failure. Such Claim Notice shall describe the Third Party Claim in reasonable detail, shall include a copy of all papers served with respect to such Third Party Claim, if any, and any other documents reasonably necessary (as determined by the Indemnified Party) and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have the right to participate in or, by giving written notice within ten (10) Business Days of receipt of a Third Party Claim, to assume the defense of any Third Party Claim at the Indemnifying Party’s expense and by the

Indemnifying Party's own counsel; *provided*, that such notice contains confirmation that the Indemnifying Party has agreed to indemnify the Indemnified Party (subject to the limitation on indemnification set forth herein) for the Losses arising out of or resulting from the Third Party Claim of which it is assuming the right to conduct and control the defense thereof. In the event that the Indemnifying Party assumes the defense of any Third Party Claim, subject to Section 8.05(b), it shall have the right to take such action as it deems necessary to avoid, dispute, defend, appeal or make counterclaims pertaining to any such Third Party Claim in the name and on behalf of the Indemnified Party; *provided, however*, that the Indemnifying Party shall not be entitled to control, and the Indemnified Party shall be entitled to have sole control over, the defense or settlement of any claim if: (i) such claim is part of an Action to which the Indemnifying Party is also a party and the Indemnified Party is advised by counsel that a conflict exists as a result of the Indemnifying Party's control over such proceedings, (ii) such Third Party Claim seeks injunctive or other equitable relief against the Indemnified Party, (iii) the Third Party Claim relates to or arises in connection with any governmental proceeding, action, indictment, allegation or investigation in respect of the business of Buyer or their respective Affiliates, (iv) the Third Party Claim involves liabilities that are reasonably expected to exceed the Indemnity Escrow Amount, (v) the Indemnifying Party failed or is failing to reasonably prosecute or defend such Third Party Claim, or (vi) such claim involves any customer, supplier, distributor or other material business relation of Buyer or its Affiliates. If the Indemnifying Party has validly made such election, the Indemnified Party shall have the right, at its own cost and expense, to participate in the defense of any Third Party Claim with counsel selected by it subject to the Indemnifying Party's right to control the defense thereof. If the Indemnifying Party elects not to compromise or defend such Third Party Claim or fails to promptly notify the Indemnified Party in writing of its election to defend as provided in this Agreement, the Indemnifying Party shall be liable for the fees and expenses of counsel employed by the Indemnified Party. The Indemnified Party and the Indemnifying Party shall cooperate with each other in all reasonable respects to ensure the proper and adequate defense of any Third Party Claim, including making available Books and Records and other information relating to such Third Party Claim and furnishing employees and representatives as may be reasonably necessary for the preparation of the defense of such Third Party Claim.

(b)

Settlement of Third Party Claims. Notwithstanding any other provision of this Agreement, if the Indemnifying Party assumes the defense of any Third Party Claim pursuant to Section 8.05, (i) the Indemnified Party shall not file any papers or consent to the entry of any judgment or enter into any settlement with respect to such Third Party Claim and (ii) the Indemnifying Party shall not consent to the entry of any judgment or enter into any settlement with respect to such Third Party Claim without the prior written consent of the Indemnified Party (which consent shall be given if the settlement by its terms (1) obligates the Indemnifying Party to pay the full amount of the liability in connection with such Third Party Claim, (2) fully and finally releases the Indemnified Party completely in connection with such Third Party Claim, and (3) does not impose any obligation or restriction on such Indemnified Party or its Affiliates). If the Indemnifying Party does not assume the defense of such Third Party Claims or fails to diligently prosecute or withdraws from the defense of a Third Party Claim, the Indemnifying Party will not be obligated to indemnify the Indemnified Party for any settlement entered into or any judgment consented to without the Indemnifying Party's prior written consent (which consent shall not be unreasonably withheld, delayed or conditioned). Notwithstanding any other provision of this Agreement, whether or not the Indemnifying Party shall have assumed the defense of a Third Party Claim, if the Indemnified Party admits any liability with respect to, or settles, compromises or discharges, such Third Party Claim without the Indemnifying Party's prior written consent (which consent shall not be unreasonably withheld, delayed or conditioned), then such admission, settlement or compromise will not

be binding upon or constitute evidence against the Indemnifying Party for purposes of determining whether the Indemnified Party has incurred Losses that are indemnifiable pursuant to this Article VIII or the amount thereof.

(c)

Direct Claims. Any claim by an Indemnified Party on account of a Loss which does not result from or involve a Third Party Claim (a "**Direct Claim**") shall be asserted by the Indemnified Party by providing prompt written notice thereof to the Indemnifying Party after the Indemnified Party becomes aware of such Direct Claim. Such notice by the Indemnified Party shall describe the Direct Claim in reasonable detail and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have thirty (30) days after its receipt of such notice to respond in writing to such Direct Claim asserting or denying its responsibility with respect to such Direct Claim. During such thirty (30)-day period, the Indemnified Party shall allow the Indemnifying Party and its professional advisors to investigate the matter or circumstance alleged to give rise to the Direct Claim, and whether and to what extent any amount is payable in respect of the Direct Claim and the Indemnified Party shall reasonably assist the Indemnifying Party's investigation. If the Indemnifying Party does not so respond within such thirty (30)-day period, the Indemnifying Party shall be deemed to have accepted such claim.

Section 8.06

Tax Treatment of Indemnification Payments. All indemnification payments made (or deemed to be made) with respect to any claim pursuant to Article VIII shall be treated by the parties as an adjustment to the Purchase Price for Tax purposes, unless otherwise required by Law.

Section 8.07

Exclusive Remedies. Subject to Section 10.11, the parties acknowledge and agree that except for Buyer's right to any setoff rights in this Agreement, their sole and exclusive remedy with respect to any and all claims for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement (except in the case of Fraud) shall be pursuant to the indemnification provisions set forth in this Article VIII. In furtherance of the foregoing, each party hereby waives, to the fullest extent permitted under Law, any and all rights, claims and causes of action for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement it may have against the other parties hereto and their Affiliates and each of their respective Representatives arising under or based upon any Law, except pursuant to the indemnification provisions set forth in this Article VIII. Nothing in this Section 8.07 shall limit any Person's right to seek and obtain any equitable relief to which any Person shall be entitled pursuant to Section 10.11.

**ARTICLE IX
TERMINATION**

Section 9.01

Termination. This Agreement may be terminated at any time prior to the Closing:

(a)

by the mutual written consent of Seller and Buyer;

(b)

by Buyer by written notice to Seller if there has been a material breach, inaccuracy in or failure to

perform any representation, warranty, covenant or agreement made by Seller pursuant to this Agreement that would give rise to the failure of any of the conditions specified in Section 7.01 or Section 7.02 and such breach, inaccuracy or failure cannot be cured by Seller by the date that is 180 days after the Due Diligence Deadline (the "**Drop Dead Date**");

(c)

by Seller by written notice to Buyer if there has been a material breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Buyer pursuant to this Agreement that would give rise to the failure of any of the conditions specified in Section 7.01 or Section 7.03 and such breach, inaccuracy or failure cannot be cured by Buyer by the Drop Dead Date;

(d)

by Buyer or Seller in the event that:

(i)

there shall be any Law that makes consummation of the transactions contemplated by this Agreement illegal or otherwise prohibited;

(ii)

any Governmental Authority shall have issued a Governmental Order restraining or enjoining the transactions contemplated by this Agreement, and such Governmental Order shall have become final and non-appealable; or

(iii)

the Closing does not occur by the Drop Dead Date.

(e)

by Buyer or Seller if the Closing has not occurred by the Drop Dead Date; *provided*, that the party electing to terminate this Agreement in such instance has not materially breached this Agreement and such breach is the primary reason for such failure to consummate the Closing.

Section 9.02

Effect of Termination.

(a)

In the event of the termination of this Agreement in accordance with this Article IX, this Agreement shall immediately become null and void and there shall be no liability or obligation on the part of any party hereto other than liability for any Willful Breach of this Agreement prior to such termination; provided that the provisions of Section 6.04 (Confidentiality), this Section 9.02 (Effects of Termination) and Article X (Miscellaneous) shall remain in full force and effect and survive any termination of this Agreement. Further, if this Agreement is terminated by Seller as a result of Buyer's breach, Seller will have no obligation to return or repay any payment(s) made by Buyer under Section 2.04(iii).

(b)

In the event that this Agreement is terminated by Buyer under Section 9.01(b), (d) or (e), then Seller shall pay as directed by Buyer the Termination Fee by wire transfer of immediately available funds within three (3) Business Days after such termination. The parties agree and understand that in no event shall

Seller be required to pay the Termination Fee on more than one occasion and in no event shall Seller be required to pay more than one Termination Fee. In the event that Buyer shall be entitled to receive and receives full payment of the Termination Fee from or on behalf of Seller pursuant to this Section 9.02(b), the receipt of the Termination Fee (and, if applicable, any interest thereon and enforcement costs pursuant to Section 9.02(c)) shall be deemed to be liquidated damages for any and all losses or damages suffered or incurred by Buyer and its Affiliates as a result of the actions of Seller or its Affiliates in connection with this Agreement (and the termination hereof), the transactions contemplated hereby (and the abandonment thereof) or any matter forming the basis for such termination, and shall be the sole monetary remedy of Buyer and their respective Affiliates; provided that nothing in this Section 9.02(b) shall limit Buyer's rights under Section 10.11 and receipt of the Termination Fee (and, if applicable, any interest thereon and enforcement costs pursuant to Section 9.02(c)) shall not be the exclusive remedy of Buyer and any of its Affiliates or constitute liquidated damages in the event of Willful Breach. If this Agreement is terminated for any other reason other than under Section 9.01 (b), (d) or (e), all amounts paid by Buyer to Seller under this Agreement before the effective date of such termination will be fully and finally nonrefundable and Seller will have no further obligations to Buyer with respect to such amounts.

(c)

Notwithstanding anything to the contrary in this Article IX, in the event that Seller fails to promptly pay the Termination Fee when due, and if Buyer commences an action in order to obtain such payment that results in a judgment against Seller, then Seller shall pay Buyer, together with the Termination Fee (A) interest on the Termination Fee, as applicable, from the date the Termination Fee was required to be paid through the date of payment at a rate per annum equal to the prime rate as published in the Wall Street Journal, Eastern Edition, in effect on the date the Termination Fee was required to be paid and (B) any out-of-pocket fees, costs and expenses (including reasonable legal fees) actually and reasonably incurred by or on behalf of Buyer in connection with any such action.

(d)

The parties acknowledge and hereby agree that the provisions of this Section 9.02 are an integral part of the transactions contemplated by this Agreement (including the Sale), and that, without such provisions, the parties would not have entered into this Agreement.

ARTICLE X MISCELLANEOUS

Section 10.01

Expenses. Except as otherwise expressly provided herein (including Section 6.08 hereof), all costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses, whether or not the Closing shall have occurred.

Section 10.02

Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing (including, without limitation, e-mail transmission) and shall be deemed to have been given (a) if delivered by hand, when such delivery is made at the address specified on the signature pages hereto; (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) if delivered by e-mail or facsimile, when such e-mail or facsimile is transmitted to the number or e-mail address specified on the signature page hereto or (d) on the day mailed, by certified or

registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the addresses or coordinates as provided on the signature pages hereto (or at such other address for a party as shall be specified in a notice given in accordance with this Section 10.02).

Section 10.03

Interpretation. For purposes of this Agreement, (a) the words “*include*,” “*includes*” and “*including*” shall be deemed to be followed by the words “*without limitation*”; (b) the word “*or*” is not exclusive; and (c) the words “*herein*,” “*hereof*,” “*hereby*,” “*hereto*” and “*hereunder*” refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (x) to Articles, Sections, Disclosure Schedules and Exhibits mean the Articles and Sections of, and Disclosure Schedules and Exhibits attached to, this Agreement; (i) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and (ii) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The Disclosure Schedules and Exhibits referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein. All references in this Agreement or any of the other Transaction Documents to “\$” or “Dollars” are to United States Dollars, unless expressly stated otherwise.

Section 10.04

Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 10.05

Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

Section 10.06

Entire Agreement. This Agreement (including the Exhibits and the Disclosure Schedules) and the other Transaction Documents constitute the entire agreement of the parties with respect to the subject matter contained herein and therein, and supersede all prior and contemporaneous representations, warranties, understandings and agreements, both written and oral, with respect to such subject matter.

Section 10.07

Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party; *provided, however*, that Buyer can assign its rights hereunder to any lender providing the Financing. No assignment shall relieve the assigning party of any of its obligations hereunder.

Section 10.08

No Third Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 10.09

Amendment and Modification; Waiver. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by Seller and Buyer. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 10.10

Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(a)

This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction).

(b)

ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY MAY BE INSTITUTED ONLY IN THE STATE OR FEDERAL COURTS SITTING IN THE STATE OF NEVADA, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN ANY SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR ANY PROCEEDING IN SUCH COURTS AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c)

EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS, THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY TO THIS AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO

ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.10(c).

Section 10.11

Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof or were otherwise breached. It is accordingly agreed that the parties to this Agreement shall be entitled to seek equitable relief, including, without limitation, an injunction or injunctions (without the payment or posting of any bond) in connection with any breach or threatened breach of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of the United States or any state having jurisdiction, including, without limitation, to enforce the obligations of each of Buyer and Seller to consummate the Closing. This paragraph shall not be construed as an election of any remedy, or as a waiver of any right available to the parties under this Agreement or the law, including, without limitation, the right to seek damages from the breaching party for a breach of any provision of this Agreement, nor shall this paragraph be construed to limit the rights or remedies available under applicable law for any violation of any provision of this Agreement.

Section 10.12

Disclosure Schedule. The Disclosure Schedules will be arranged to correspond to the representations and warranties in Article IV of this Agreement, and the disclosure in any portion of the Disclosure Schedules shall qualify the corresponding provision in Article IV and any other provision of Article IV to which it is reasonably apparent from such disclosure that such disclosure relates. The Disclosure Schedules are intended to constitute, and may be construed as constituting, representations or warranties of Seller, or to expand the scope of Seller's representations or warranties under this Agreement, but only to the extent provided in this Agreement. No reference to or disclosure of any item or other matter in the Disclosure Schedules shall be construed as an admission or indication that such item or other matter is material or that such item or other matter is required to be referred to or disclosed in the Disclosure Schedules. The information set forth in the Disclosure Schedules is disclosed solely for the purposes of this Agreement, and no information set forth therein shall be deemed to be an admission by any party hereto to any third party of any matter whatsoever, including of any violation of law or breach of any agreement.

Section 10.13

Counterparts. This Agreement may be executed and delivered (including, without limitation, by facsimile transmission or e-mail) in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

Section 10.14

Non-recourse. This Agreement and the Transaction Documents may only be enforced against, and any Action or other legal proceeding based upon, arising out of, or related to this Agreement and the Transaction Documents, or the negotiation, execution or performance of this Agreement and the Transaction Documents, may only be brought against the entities that are expressly named as a party hereto and thereto and then only with respect to the specific obligations set forth herein and therein with respect to such party. No past, present or future director, officer, employee, incorporator, manager, member, partner, stockholder, Affiliate, agent, attorney or other Representative of any party hereto or of any Affiliate of any party hereto and thereto, or any of their successors or permitted assigns, shall have

any liability for any obligations or liabilities of any party hereto under this Agreement and the Transaction Documents or for any Action or other legal proceeding based on, in respect of or by reason of the transactions contemplated hereby and thereby; *provided, however*, nothing in this Section 10.14 shall relieve or otherwise limit the liability of any party hereto or thereto or any of their respective successors or permitted assigns for any breach or violation of its obligations under such agreements, documents or instruments.

Section 10.15

Waiver of Conflicts Regarding Representation; Nonassertion of Attorney-Client Privilege.

(a)

Buyer waives and shall not assert, and agrees to cause its Affiliates to waive and not to assert, any conflict of interest arising out of or relating to the representation, after the Closing (the “**Post-Closing Representation**”), of Seller or any of their Affiliates or any shareholder, officer, employee or director of the or any of their Affiliates (any such Person, a “**Designated Person**”) in any matter involving this Agreement, the Transaction Documents or the transactions contemplated hereby.

(b)

Buyer waives and shall not assert, and agrees to cause its Affiliates to waive and not to assert, any attorney-client privilege solely to the extent inherited as a result of the transactions contemplated by this Agreement with respect to any communication between any legal counsel and any Designated Person in any matter involving this Agreement, the Transaction Documents or the transactions contemplated hereby occurring during the Current Representation prior to the Closing Date in connection with any Post-Closing Representation, including in connection with a dispute with Buyer or any of its Affiliates, it being the intention of the parties hereto that all rights to attorney-client privilege with respect to any communication between any legal counsel and any Designated Person in any matter involving this Agreement, the Transaction Documents or the transactions contemplated hereby occurring during the Current Representation and to control such attorney-client privilege shall be retained by Seller.

(c)

The attorney-client privilege, attorney work-product protection and expectation of client confidence arising from the transactions contemplated hereby prior to the Closing Date, and all information and documents covered by such privilege or protection, will belong to and be controlled by Seller and may be waived only by Seller, and not Buyer, and will not pass to or be claimed or used by Buyer; *provided*, that Buyer may assert the privilege against a third party.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date by their respective officers thereunto duly authorized.

MANNA NUTRITIONAL GROUP, LLC

By 

Name: David C. Naccarato
Title: CEO / COO

Address: 2881 N El Rancho Pl, Boise, ID 83702
Email: davidn@mannanutritionals.com
Phone: 208.786.2005
Fax: N/A

With a Copy to: Steve Frinsko, Partner
Hawley-Troxell
Address: 877 Main Street, Ste. 1000, Boise, ID
83704
Email: sfrinsko@hawleytroxell.com
Fax: 208.954.5959

AGRIFORCE GROWING SYSTEMS LTD

By 

Name: Ingo Mueller
Title: CEO

Address: 300 - 2233 Columbia Street, Vancouver,
BC, V5Y 1K6

Email: imueller@agriforcegs.com

With a Copy to: Jolie Kahn, Esq.
Address: 12 E. 49th Street, 11th floor, NY, NY 10017
Email: joliekahnlaw@sbcglobal.net
Fax: 866-705-3071

[Signature Page to Asset Purchase Agreement]

**DISCLOSURE SCHEDULES TO
ASSET PURCHASE AGREEMENT**

These Disclosure Schedules relate to that certain Asset Purchase Agreement, dated of even date herewith ("**Agreement**"), by and among Manna Nutritional Group, LLC, a Nevada limited liability company ("**Seller**") and AgriForce Growing Systems, Ltd., a British Columbia corporation ("**Buyer**").

All capitalized terms not otherwise defined in these Disclosure Schedules have the meanings given to them in the Agreement. Terms that are specifically defined in a section of these Disclosure Schedules have the same meaning given to such term wherever such term is utilized in any other section of these Disclosure Schedules.

The disclosures in any section of these Disclosure Schedules qualify other sections and subsections of the Agreement and these Disclosure Schedules to the extent reasonably apparent from a reading of the disclosure that such disclosure is applicable to such other sections or subsections. The headings contained in these Disclosure Schedules are for reference purposes only and do not affect in any way the meaning or interpretation of the disclosures herein contained.

To the extent that any representation or warranty contained in the Agreement is limited or qualified by the materiality of the matters to which the representation or warranty is given, the inclusion of any matter in these Disclosure Schedules does not constitute a determination by any Seller that such matters are material. Nor in such cases where a representation or warranty is limited or qualified by the materiality of the matters to which the representation or warranty is given shall the disclosure of any matter in these Disclosure Schedules imply that any other undisclosed matter having a greater value or significance is material.

The inclusion in these Disclosure Schedules of any matter or document does not imply any representation, warranty, or undertaking not expressly given in the Agreement nor may such disclosure be taken as extending the scope of any of the representations or warranties. Nothing in these Disclosure Schedules constitutes an admission of liability or obligation of the Seller to any third party, nor an admission against the Seller, or the interests of any such party.

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Section 2.02

Assumed Liabilities

1. All costs, fees, and related expenses associated with or arising out of prosecuting the CERES-MNG Patent Application incurred or arising on or after September 1, 2021.
2. All costs, fees, and related expenses associated with or arising out of the third-party engineering process analysis and manufacturing facility design contemplated by the Agreement.
3. All costs and expenses incurred or to be incurred by Seller from and after the Effective Date of the Agreement for operational and production costs, fees, and related expenses associated with or arising out of further production and manufacturing of the subject flowers, sweeteners, and cereals, including materials, equipment, shipping, and travel (*e.g.*, travel by the Scientists as requested by Purchaser in connection with desired in-person product testing demonstrations).

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Section 2.04

Secured Debt

1. That certain 18% Senior Secured Commercial Promissory Note dated December 16, 2017, by and between Seller, as maker, and Hal Griffith, as holder, in the principal amount of \$100,000, and secured by that certain Loan and Security Agreement of even date therewith.

2. That certain 18% Senior Secured Commercial Promissory Note dated November 1, 2017, by and between Seller, as maker, and Ernest Martinez, as holder, in the principal amount of \$300,000, and secured by that certain Loan and Security Agreement of even date therewith.

3. That certain Secured Commercial Promissory Note dated July 24, 2019, by and between Seller, as maker, and Stuart Gordon, as holder, in the principal amount of \$22,200, and secured by that certain Loan and Security Agreement of even date therewith.

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Section 2.05

Excluded Assets

None.

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Section 4.04

Financial Statements

Seller will disclose Audited Financial Statements for the prior two fiscal years within 60 days of the Effective Date.

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Section 4.05

Absence of Certain Changes, Events and Conditions

Section 4.05(a):

None, but see Section 2.04 regarding secured debt.

Section 4.05(b):

None.

Section 4.05(c):

1. As of the Effective Date, Seller is 60 days delinquent on payments due under that certain Forbearance Agreement dated January 15, 2021, by and between Seller, as borrower, and Ernest Martinez, as lender, with respect to indebtedness evidenced by that certain 18% Senior Secured Commercial Promissory Note dated November 1, 2017, by and between Seller, as maker, and Ernest Martinez, as holder, in the principal amount of \$300,000.
2. As of the Effective Date, Seller is 60 days delinquent on payments due under that certain Payment Agreement dated April 1, 2021, by and between Seller and Davis Wright Tremaine LLP for certain fees and expenses for services rendered through December 9, 2020.
3. As of the Effective Date, Seller is delinquent on payments due under that certain 18% Senior Secured Commercial Promissory Note dated December 16, 2017, by and between Seller, as maker, and Hal Griffith, as holder, in the principal amount of \$100,000, and secured by that certain Loan and Security Agreement of even date therewith.
4. As of the Effective Date, Seller is delinquent on payments due under that certain Secured Commercial Promissory Note dated July 24, 2019, by and between Seller, as maker, and Stuart Gordon, as holder, in the principal amount of \$22,200, and secured by that certain Loan and Security Agreement of even date therewith.
5. As of the Effective Date, Seller has unpaid bills for certain fees and expenses for services rendered by Jim Shields (former CPA for Seller) in the amount of ~\$2,201.71.
6. As of the Effective Date, Seller has certain outstanding reimbursement obligations to the following members of Seller for out of pocket expenses and direct (non-labor) costs as follows:
 - a. Stu Gordon \$ 4,500.00
 - b. Dan Haggart \$13,000.00
 - c. David Naccarato \$21,500.00

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d. Marc Garcia	\$ 4,600.00
e. Mike Wall	\$ 2,500.00
f. Cameron Adair	\$ 1,500.00

Section 4.05(d):

1. On or about June 1, 2021, Seller caused to be filed a certain criminal securities complaint against George Martinez with the Nevada Secretary of State in connection with certain alleged conduct in his capacity as, without limitation, former CEO of Seller.

2. On or about June 1, 2021, Seller caused to be filed a certain criminal securities complaint against Cameron Adair with the Nevada Secretary of State in connection with certain alleged conduct in his capacity as, without limitation, former CFO of Seller.

Section 4.05(e):

None.

Section 4.05(f):

None.

Section 4.05(g):

None.

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Section 4.06(a)

Material Contracts

Section 4.06(a)(i):

See below.

Section 4.06(a)(ii) and (iii):

None.

Section 4.06(a)(iv):

1. That certain 18% Senior Secured Commercial Promissory Note dated December 16, 2017, by and between Seller, as maker, and Hal Griffith, as holder, in the principal amount of \$100,000, and secured by that certain Loan and Security Agreement of even date therewith.

2. That certain 18% Senior Secured Commercial Promissory Note dated November 1, 2017, by and between Seller, as maker, and Ernest Martinez, as holder, in the principal amount of \$300,000, and secured by that certain Loan and Security Agreement of even date therewith.

3. That certain Secured Commercial Promissory Note dated July 24, 2019, by and between Seller, as maker, and Stuart Gordon, as holder, in the principal amount of \$22,200, and secured by that certain Loan and Security Agreement of even date therewith.

4. That certain Forbearance Agreement dated January 15, 2021, by and between Seller, as borrower, and Ernest Martinez, as lender, with respect to indebtedness evidenced by that certain 18% Senior Secured Commercial Promissory Note dated November 1, 2017, by and between Seller, as maker, and Ernest Martinez, as holder, in the principal amount of \$300,000.

5. That certain Payment Agreement dated April 1, 2021, by and between Seller and Davis Wright Tremaine LLP for certain fees and expenses for services rendered through December 9, 2020.

Section 4.06(a)(v)-(xv):

None.

Section 4.06(xvi):

See above – Section 4.06(a)(iv)(4, 5).

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Section 4.06(xvii):

None.

Section 4.06(xviii):

None.

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Section 4.06(b)

Breach of Material Contracts

1. As of the Effective Date, Seller is 60 days delinquent on payments due under that certain Forbearance Agreement dated January 15, 2021, by and between Seller, as borrower, and Ernest Martinez, as lender, with respect to indebtedness evidenced by that certain 18% Senior Secured Commercial Promissory Note dated November 1, 2017, by and between Seller, as maker, and Ernest Martinez, as holder, in the principal amount of \$300,000.
2. As of the Effective Date, Seller is 60 days delinquent on payments due under that certain Payment Agreement dated April 1, 2021, by and between Seller and Davis Wright Tremaine LLP for certain fees and expenses for services rendered through December 9, 2020. As of the Effective Date, the balance due is \$79,698.08.
3. As of the Effective Date, Seller is delinquent on payments due under that certain Secured Commercial Promissory Note dated July 24, 2019, by and between Seller, as maker, and Stuart Gordon, as holder, in the principal amount of \$22,200, and secured by that certain Loan and Security Agreement of even date therewith.
4. As of the Effective Date, Seller has unpaid bills for certain fees and expenses for services rendered by Jim Shields (former CPA for Seller) in the amount of ~\$2,201.71.

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Section 4.08(a)

Intellectual Property

Business Registered Domain Names:

mannanutritionals.com

Business Registered Marks:

None

Business Patents:

CERES-MNG Patent Application

Business Registered Copyrights:

The following are unregistered copyrights for Manna recipes by Georgette M. Naccarato:

- Manna Pumpkin Cream Cheese Muffins (50% MNG Flour)
- Manna Pumpkin Cream Cheese Muffins (100% MNG Flour)
- Manna Dutch Chocolate Muffins (100% MNG Flour)
- Manna Chocolate Bundt Cake (100% MNG Flour)
- Mannadoodles 100% MNG Flour
- Mannadoodles 50% MNG Flour
- Manna Honey Oat Bread (50% MNG Flour & MNG Power Juice)
- Manna Banana Bread (50% MNG Flour)
- Manna Banana Bread (100% MNG Flour)

All of the abovementioned unregistered copyrights have been, or will be as of the Closing, assigned to Seller by the copyright holder.

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Section 4.08(b)

Intellectual Property

None.

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Section 4.08(e)

Disclosure of Trade Secrets

None.

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Section 4.08(f)

Infringement of Third-Party IP

None.

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Section 4.08(j)

Retained IP

None.

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Section 4.15(a)

Data Protection

None.

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Section 4.17(a)

Affiliate Arrangements

1. That certain 18% Senior Secured Commercial Promissory Note dated December 16, 2017, by and between Seller, as maker, and Hal Griffith, as holder, in the principal amount of \$100,000, and secured by that certain Loan and Security Agreement of even date therewith.

2. That certain 18% Senior Secured Commercial Promissory Note dated November 1, 2017, by and between Seller, as maker, and Ernest Martinez, as holder, in the principal amount of \$300,000, and secured by that certain Loan and Security Agreement of even date therewith.

3. That certain Secured Commercial Promissory Note dated July 24, 2019, by and between Seller, as maker, and Stuart Gordon, as holder, in the principal amount of \$22,200, and secured by that certain Loan and Security Agreement of even date therewith.

4. That certain Forbearance Agreement dated January 15, 2021, by and between Seller, as borrower, and Ernest Martinez, as lender, with respect to indebtedness evidenced by that certain 18% Senior Secured Commercial Promissory Note dated November 1, 2017, by and between Seller, as maker, and Ernest Martinez, as holder, in the principal amount of \$300,000.

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Section 4.17(b)

Related Party Interests

None.

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OFFTAKE AGREEMENT

This **OFFTAKE AGREEMENT** ("**Agreement**"), dated November 30, 2021 ("**Contract Date**"), is entered into between AgriFORCE Growing Systems, Ltd., a Canadian limited company ("**Company**") and Humboldt Bliss, Ltd, a Barbadian limited company ("**Humboldt**"). Company and Humboldt may be referred to individually as a "**Party**" and collectively as the "**Parties**."

In consideration of the mutual covenants, conditions, representations and warranties contained in this Agreement, the Parties agree to enter into this transaction based upon the following recitals, terms and conditions:

1. Term

(a) This Agreement will become effective on the Commencement Date as set forth in the Commencement Notice. Subject to Company's commercially reasonable estimate, the Commencement Notice shall be provided to Humboldt not less than one hundred (100) days prior to the date on which Products from the Facility will be first available for purchase by Humboldt.

(b) This Agreement shall terminate pursuant to the mutual written agreement of the Parties or as provided in Section 11 of this Agreement ("**Termination Date**").

(c) Term of Agreement and Renewal Terms. The term of this Agreement shall begin on the Commencement Date and end five (5) years from the Commencement Date unless terminated in accordance with the terms of this Agreement (the "**Term**"). The Agreement shall automatically renew for consecutive five (5) year terms (each, when effective, a "**Term**").

2. Purchase and Sale of Products

(a) Humboldt agrees to purchase and receive from the Company, and the Company agrees to sell and deliver to Humboldt, the Products output of the Facility as described below, from and including the Commencement Date through the end of the Termination Date, at the prices determined pursuant to this Agreement and otherwise in accordance with the terms and conditions of this Agreement.

Product Description

Quantity

- Dried cannabis flower minimum of 6,500 kilograms per year

(b) Company shall make best efforts to produce the Product in the quantity described above. Company's failure to produce Product in the quantity described above shall not provide a basis for Humboldt to assert monetary damages against Company.

If the Facility produces more than 6,500 kilograms of dried cannabis flower per year ("**Additional Production**"), Humboldt will have a right of first refusal to purchase such Additional Production. Company will provide written notice to Humboldt if and when Company reasonably estimates that

Additional Production will be available ("**Notice**"). The Notice shall indicate the amount of Additional Production, the date when the Additional Production will be available for purchase, and additional terms if any as established by Company. If Humboldt wishes to purchase the Additional Production, Humboldt shall provide a written response to Company confirming that Humboldt will purchase the Additional Production pursuant to the terms set forth in the Notice ("**Response**"). The Response must be provided to Company not later than thirty (30) days after the date of the Notice. If Humboldt indicates that it does not wish to purchase the Additional Production, or if Humboldt fails to timely provide a Response, Company may sell the Additional Production to any other person.

3. Purchase Price

(a) All cannabis product in the Facility will be assigned a Pricing Date. "**Pricing Date**" means the date on which cannabis product first enters the Cure/Package room of the Facility.

(b) The purchase price for the Product shall be calculated after the Pricing Date is assigned. The purchase price for cannabis product shall be equal to ninety percent (90%) of the Cannabis Benchmarks (a division of New Leaf Data Services LLC) California Spot Indoor Index Price published on the first Friday after the Pricing Date is assigned to such cannabis product ("**Purchase Price**").

(c) The Pricing Date and Purchase Price of cannabis product shall be tracked in accordance with the standard operating procedures established by the Company and agreed to by Humboldt.

(d) The Purchase Price as established by reference to the Cannabis Benchmarks California Spot Indoor reflects the Company's standard operating procedures ("**SOPs**") with respect to cultivation, curing, drying, trimming, packaging, and related Product standards. The Company's standard operating procedures ("**SOPs**") shall meet GMP standard where reasonably feasible. If Humboldt requests customized procedures (such as specialized trimming procedures), then the Purchase Price will be reasonably adjusted to reflect Humboldt's specifications. Customized procedures and or specifications requested by Humboldt, if any, are set forth in Exhibit A attached hereto.

(e) The Company or Humboldt may submit a written notice requesting a meeting to discuss and negotiate in good faith possible adjustments to the Purchase Price of any cannabis products ("**Purchase Price Notice**"). The Parties shall meet at a mutually agreeable time and location ("**Meeting Date**") within five (5) days of such meeting request. If either Party requests an increase or decrease to the Purchase Price, it shall deliver to the other Party at such meeting reasonably detailed documentation and samples to support the price increase or decrease. If the Parties are not able to reach a mutually agreeable adjustment to the Purchase Price within seven (7) days of the meeting, the Parties shall submit to binding arbitration to determine the Purchase Price. The arbitration shall commence no later than thirty (30) days after the Meeting Date. The arbitrator shall be instructed to issue a decision no later than ten (10) days after the later of (i) the conclusion of the arbitration hearing or (ii) the due date designated by the arbitrator for submission of final briefs. The issue to be determined at arbitration is whether the quality and aesthetic of the Products is consistent with a higher priced or lower priced product (i.e., indoor product). If the arbitrator determines that the Product does not meet the standards of a higher or lower priced product the Purchase Price shall remain as provided for in this Agreement. If the

arbitrator agrees that the Product does meet the standard of indoor product, purchases that occur after the arbitration award is issued shall thereafter be based as otherwise established by the arbitrator, subject to 3(h).

(f) This Agreement will continue in effect at all times during the period that the Parties are attempting to resolve the Purchase Price and Humboldt shall continue to purchase Product in accordance with the pricing terms of this Agreement.

(g) The Parties will confer prior to the Commencement Date to determine the criteria used to determine the "Quality Standards" and such "Quality Standards" will be defined in Schedule A, no later than 120 days prior to the Commencement Date

(h) This Agreement will continue in effect at all times during the period that the parties are attempting to resolve the Purchase Price and Humboldt shall continue to purchase product in accordance with the pricing terms of this Agreement. After the Purchase Price is determined by mutual agreement or binding arbitration, and if the price as so determined is lower than the price paid by Humboldt for purchased product, Humboldt will receive a credit for the difference between the price paid by Humboldt for product purchased after delivery of the Purchase Price Notice and the purchase price as established by agreement or arbitration.

4. Purchase and Payment

(a) The purchase of cannabis product that has been assigned a Pricing Date and a Purchase Price shall be deemed to occur after testing, with a passing designation, of the Product has been completed by a regulated and approved testing facility, but no later than fourteen (14) days after harvest ("**Purchase Date**").

(b) Company will send invoices to Humboldt for Purchased Product every two weeks commencing on the second Friday after first harvest. Each invoice must be paid within two (2) weeks of the invoice date.

(c) Humboldt must post a bond to cover Humboldt's ability to fulfill its purchase obligations under this Agreement; provided, however, that if Humboldt is not able to obtain a bond, after making reasonable commercial efforts to do so, due to lack of availability of providers, or other concerns or conditions imposed by providers related to participation in the cannabis industry, then Humboldt may provide another form of security in lieu of a bond to guaranty Humboldt's performance obligations under this Agreement. The bond, or alternative security, shall cover a quarterly rolling amount of five million USD (\$5,000,000.). The first bond, or alternative security, shall be produced not later than ten (10) days after Company provides the Commencement Notice. The first bond, or alternative security, shall be based on estimated production and the Cannabis Benchmarks Index Price for the prior quarter.

5. Operator of the Facility

(a) Humboldt shall secure the Operator of the Facility, which AgriFORCE will remunerate with an operator fee, equivalent to 5% of cost of good sold operating cost based on the calendar month payable within 15 days after the invoice date or in the case of Humboldt acting as the operator, a credit applied against those amounts due and payable under the licensing of the IP, facilities rental, and management services..



- i. Company shall provide licensing of IP, facility rental and management services, inclusive of Standard Operating Procedures for operating the Facility.
- (b) In the event Humboldt does not secure the Operator, AgriFORCE shall provide an operator and no operator fee shall be remunerated.

6. Delivery and Storage of Products

- (a) All transfer and delivery of Purchased Product shall take place at the Facility.
- (b) Humboldt shall have the right to store Purchased Product in the Facility in the designated Secure Storage Areas. Humboldt may remove Purchased Product from the Facility at any time. Humboldt must follow Company's standard operating procedures regarding handling, storage, and shipping of cannabis products. The Company shall provide Humboldt with its standard operating procedures.
- (c) Company shall have the right to inspect Purchased Products stored in the Secure Storage Areas at all time, including, but not limited to, Purchased Products as to which title to and risk of loss has passed from Company to Humboldt pursuant to this Agreement.

7. Title, Risk of Loss and Custody

- (a) Title to and risk of loss of Purchased Product shall pass from Company to Humboldt on the Purchase Date ("**Title Transfer Date**"). Humboldt shall retain title to and risk of loss of Purchased Product during the time such Purchased Product is held in any Storage Areas or elsewhere in the Facility.
- (b) Humboldt in its capacity as distributor of the Purchased Product shall be solely responsible for compliance with all Applicable Laws at all times on and after the Title Transfer Date, including all Environmental Laws, pertaining to the possession, handling, distribution, use and processing of such Purchased Product and shall indemnify and hold harmless Company, Company's Affiliates and their agents, representatives, contractors, employees, directors and officers, for all Liabilities directly or indirectly arising therefrom as a result of actions or omissions by Humboldt on and after the Title Transfer Date.
- (c) The Company in its capacity as the licensed user of the Facility which produces the Purchased Product shall be solely responsible (as between Company and Humboldt) for compliance with all Applicable Laws at all times prior to the Title Transfer Date, including all Environmental Laws, pertaining to its cannabis related activities, including, but not limited to, the cultivation, possession, handling, use and processing of such Purchased Product and shall indemnify and hold harmless Humboldt and Humboldt's agents, representatives, contractors, employees, directors and officers, for all Liabilities directly or indirectly arising therefrom as a result of actions or omissions by Company prior to the Title Transfer Date.

8. Inspection

Company shall be entitled to have an inspector, at Company's cost and expense, present at any time activities related to determining Measured Cannabis Product are to be applied in accordance with the terms of this Agreement and to observe such activities. Company will have the right to inspect the Storage Areas at any time.

9. Force Majeure

(a) If a Party is rendered unable by an event of Force Majeure to perform in whole or in part any obligation or condition of this Agreement ("**Affected Party**"), it shall not be liable to the other Party to perform such obligation or condition (except for payment and indemnification obligations) for so long as the event of Force Majeure exists and to the extent that performance is hindered by such event of Force Majeure; provided, however, that the Affected Party shall use any commercially reasonable efforts to avoid or remove the event of Force Majeure. During the period that performance by the Affected Party of a part or whole of its obligations has been suspended by reason of an event of Force Majeure, the other Party ("**Non-Affected Party**") likewise may suspend the performance of all or a part of its obligations to the extent that such suspension is commercially reasonable, except for any payment and indemnification obligations. The Parties acknowledge that if, as a result of a Force Majeure, operations at the Facility are suspended, then Humboldt would be entitled to suspend, to a comparable extent, its purchasing of Products.

(b) The Affected Party shall give prompt oral notice to the Non-Affected Party of its declaration of an event of Force Majeure, to be followed by written notice within twenty-four (24) hours after receiving such oral notice of the occurrence of a Force Majeure event, including, to the extent feasible, the details and the expected duration of the Force Majeure event and the amount of Products affected. The Affected Party also shall promptly notify the Non-Affected Party when the event of Force Majeure is terminated. However, the failure or inability of the Affected Party to provide such notice within the time periods specified above shall not preclude it from declaring an event of Force Majeure.

(c) In the event the Affected Party's performance is suspended due to an event of Force Majeure in excess of thirty (30) consecutive days after the date that notice of such event is given, and so long as such event is continuing, the Non-Affected Party, in its sole discretion, may terminate or curtail its obligations under this Agreement affected by such event of Force Majeure ("**Affected Obligations**") by giving notice of such termination or curtailment to the Affected Party, and neither Party shall have any further liability to the other in respect of such Affected Obligations to the extent terminated or curtailed, except for the rights and remedies previously accrued under this Agreement, any payment and indemnification obligations by either Party under this Agreement. Without limiting any rights of any Non-Affected Party under this Section 8, the parties agree that following notice of an event of Force Majeure, they will consult in good faith to assess potential actions or steps with respect thereto.

10. Mutual Representations

Each Party represents and warrants to the other Party as of the Contract Date and as of each Purchase Date hereunder, that:

(a) It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and in good standing under such laws.

(b) It has the corporate, governmental or other legal capacity, authority and power to execute and deliver this Agreement and to perform its obligations under this Agreement, and has taken all necessary action to authorize the foregoing.

(c) The execution, delivery and performance of this Agreement does not violate or conflict with any Applicable Law, any provision of its constitutional documents, any order or judgment of any court or Governmental Authority applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets.

(d) Its obligations under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with its terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application regardless of whether enforcement is sought in a proceeding in equity or at law).



(e) No Event of Default or Default has occurred and is continuing with respect to such Party, and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement.

(f) There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, Governmental Authority, official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or its ability to perform its obligations under this Agreement.

(g) It is not relying upon any representations of the other Party other than those expressly set forth in this Agreement.

(h) It has entered into this Agreement as principal (and not as advisor, agent, broker or in any other capacity, fiduciary or otherwise), with a full understanding of the material terms and risks of the same and is capable of assuming those risks.

(i) The other Party (i) is acting solely in the capacity of an arm's-length contractual counterparty with respect to this Agreement, (ii) is not acting as a financial advisor or fiduciary or in any similar capacity with respect to this Agreement and (iii) has not given to it any assurance or guarantee as to the expected performance or result of this Agreement.

(j) It is not bound by any agreement that would preclude or hinder its execution, delivery, or performance of this Agreement.

(k) Neither it nor any of its Affiliates has been contacted by or negotiated with any finder, broker or other intermediary in connection with this Agreement who is entitled to any compensation with respect thereto.

(l) None of its directors, officers, employees or agents or those of its Affiliates has received or will receive any commission, fee, rebate, gift or entertainment of significant value in connection with this Agreement.

11. Default and Termination

11.1 Events of Default. Notwithstanding any other provision of this Agreement, the occurrence of any of the following shall constitute an "**Event of Default**":

(a) Humboldt fails to make payment when due under Section 4 within five (5) days after a written demand therefor; or

(b) Either Party fails to perform any material obligation or covenant to the other under this Agreement, which is not cured to the reasonable satisfaction of the other Party (in its reasonable discretion) within ten (10) Business Days after the date that such Party receives written notice that such obligation or covenant has not been performed; or



(c) Either Party (or, if applicable, any Affiliate of such Party) breaches any material representation or material warranty made or repeated or deemed to have been made or repeated by the Party, or any warranty or representation proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated under this Agreement; provided, however, that if such breach is curable, such breach is not cured to the reasonable satisfaction of the other Party within ten (10) Business Days after the date that such Party receives notice that corrective action is needed; or

(d) Either Party becomes Bankrupt; or

(e) Humboldt no longer possesses the legal ability to distribute or sell cannabis. In the event Humboldt loses its ability to perform under this agreement for failure to maintain legal compliance with the laws of Barbados for any reason, Humboldt shall obtain a license for Company and provide the rights from Humboldt for the Company to be able to sell Humboldt's genetics and strains developed for use in the Company's facility. If Humboldt is unable to obtain a license without interruption of the Company's business activities in Barbados, the Company may bring a claim for consequential damages resulting therefrom.

10.1 Remedies Upon Event of Default

(a) Notwithstanding any other provision of this Agreement, if any Event of Default with respect to the Company, on the one hand, or Humboldt, on the other hand (such defaulting Party, the "**Defaulting Party**") has occurred and is continuing, Humboldt (where the Company is the Defaulting Party) or the Company (where Humboldt is the Defaulting Party) (such non-defaulting Party, the "**Non-Defaulting Party**") may, without notice, declare all of the Defaulting Party's obligations under this Agreement to be forthwith due and payable, all without presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Defaulting Party, exercise any rights and remedies provided or available to the Non-Defaulting Party under this Agreement or at law or equity, including all remedies provided under the Uniform Commercial Code.

(b) Notwithstanding any other provision of this Agreement, if an Event of Default has occurred and is continuing with respect to the Defaulting Party, the Non-Defaulting Party shall have the right, immediately and at any time(s) thereafter, to terminate this Agreement.

10.2 Defaulting Party Not Excused. A party whose actions and/or omissions give rise to an Event of Default cannot use the occurrence of the Event of Default as grounds for excusing its obligations, terminating this Agreement, or otherwise reducing its liability to the Non-Defaulting Party.

12. Indemnification

(a) To the fullest extent permitted by Applicable Law and except as specified otherwise elsewhere in this Agreement, Humboldt shall defend, indemnify and hold harmless the Company, its Affiliates, and their directors, officers, employees, representatives, agents and contractors for and against any Liabilities directly or indirectly arising out of (i) any breach by Humboldt of any covenant or agreement contained herein or made in connection herewith or any representation or warranty of Humboldt made herein or in connection herewith proving to be false or misleading, (ii) any failure by Humboldt to comply with or observe any Applicable Law, (iii) Humboldt's negligence or willful misconduct, or (iv) injury, disease, or death of any person or damage to or loss of any property, fine or penalty, any of which is caused by Humboldt or its employees, representatives, agents or contractors in exercising any rights or performing any obligations hereunder or in connection herewith, except to the extent that any Liability arising under clause

(iv) has resulted from the negligence or willful misconduct on the part of the Company, its Affiliates or any of their respective employees, representatives, agents or contractors.

(b) To the fullest extent permitted by Applicable Law and except as specified otherwise elsewhere in this Agreement, Company shall defend, indemnify and hold harmless Humboldt, its Affiliates, and their directors, officers, employees, representatives, agents and contractors for and against any Liabilities directly or indirectly arising out of (i) any breach by Company of any covenant or agreement contained herein or made in connection herewith or any representation or warranty of Company made herein or in connection herewith proving to be false or misleading, (ii) any failure by Company to comply with or observe any Applicable Law, (iii) Company's negligence or willful misconduct, or (iv) injury, disease, or death of any person or damage to or loss of any property, fine or penalty, any of which is caused by Company or its employees, representatives, agents or contractors in exercising any rights or performing any obligations hereunder or in connection herewith, except to the extent that any Liability arising under clause (iv) has resulted from the negligence or willful misconduct on the part of Humboldt, its Affiliates or any of their respective employees, representatives, agents or contractors.

(c) The Parties' obligations to defend, indemnify, and hold each other harmless under the terms of this Agreement shall not vest any rights in any third party (whether a Governmental Authority or private entity), nor shall they be considered an admission of liability or responsibility for any purposes.

(d) Each Party agrees to notify the other as soon as practicable after receiving notice of any claim or suit brought against it within the indemnities of this Agreement, shall furnish to the other the complete details within its knowledge and shall render all reasonable assistance requested by the other in the defense; provided that, the failure to give such notice shall not affect the indemnification provided hereunder, except to the extent that the indemnifying Party is materially adversely affected by such failure. Each Party shall have the right but not the duty to participate, at its own expense, with counsel of its own selection, in the defense and settlement thereof without relieving the other of any obligations hereunder.

13. Confidentiality

(a) The Parties agree that the specific terms and conditions of this Agreement, including any list of counterparties, this Agreement and the drafts of this Agreement exchanged by the Parties and any information exchanged between the Parties, including calculations of any fees or other amounts paid by Humboldt to Company under this Agreement and all information received by Humboldt from the Company relating to the costs of operation, operating conditions, and other commercial information of the Company not made available to the public, are confidential and shall not be disclosed to any third party, except (i) as may be required by court order or Applicable Laws or as requested by a Governmental Authority, (ii) to such Party's or its Affiliates' employees, directors, shareholders, auditors, consultants, banks, lenders, financial advisors and legal advisors for purposes of administering, negotiating, considering, processing or evaluating this Agreement or the transactions contemplated thereby, or (iii) to such Party's insurance providers, solely for the purpose of procuring insurance coverage or confirming the extent of existing insurance coverage; provided that, prior to any disclosure permitted by this clause (iii), such insurance providers shall have agreed in writing to keep confidential any information or document subject to this Section 12. The confidentiality obligations under this Agreement shall survive termination of this Agreement in perpetuity. The Parties shall be entitled to all remedies available at law, or in equity, to enforce or seek relief in connection with the confidentiality obligations contained herein.

(b) The Parties also agree and acknowledge that this Agreement is intended to be one of a series of agreements (the "Transaction Documents") intended to memorialize the relationship between the Parties and/or certain of their affiliates. Other than this Agreement, the Parties and/or their affiliates acknowledge that the Transaction Documents have not been fully negotiated and have not been executed. The proposed Transaction Documents include, but are not limited to, (i) a Sublease and (ii) an Operator's Agreement.

(c) In the case of disclosure covered by clause (i) of Section 12(a), to the extent practicable and in conformance with the relevant court order, Applicable Law or request, the disclosing Party shall notify the other Party in writing of any proceeding of which it is aware which may result in disclosure.

14. General Provisions

(a) If any Article, Section or provision of this Agreement shall be determined to be null and void, voidable or invalid by a court of competent jurisdiction, then for such period that the same is void or invalid, it shall be deemed to be deleted from this Agreement and the remaining portions of this Agreement shall remain in full force and effect.

(b) The terms of this Agreement constitute the entire agreement between the Parties with respect to the matters set forth in this Agreement, and no representations or warranties shall be implied or provisions added in the absence of a written agreement to such effect between the Parties. This Agreement shall not be modified or changed except by written instrument executed by the Parties' duly authorized representatives.

(c) No promise, representation or inducement has been made by either Party that is not embodied in this Agreement, and neither Party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

(d) Time is of the essence with respect to all aspects of each Party's performance of any obligations under this Agreement.

(e) Nothing expressed or implied in this Agreement is intended to create any rights, obligations or benefits under this Agreement in any person other than the Parties and their successors and permitted assigns.

(f) All payment, confidentiality and indemnification obligations and obligations under this Agreement shall survive for the time periods specified herein.

(g) This Agreement may be executed by the Parties in separate counterparts and initially delivered by facsimile transmission or otherwise, with original signature pages to follow, and all such counterparts shall together constitute one and the same instrument.

(h) All transactions hereunder are entered into in reliance on the fact that this Agreement and all such transactions constitute a single, integrated agreement between the Parties, and the Parties would not have otherwise entered into any other transactions hereunder.

(i) The situs of this Agreement is Vancouver, British Columbia, Canada, and for all purposes this Agreement will be governed exclusively by and construed and enforced in accordance with the laws prevailing in the Province of British Columbia, Canada with the exception of all laws pertaining to the operation of the underlying business. The Parties hereto specifically agree to the jurisdiction provided for in this Section.

15. Construction of Agreement

(a) Unless otherwise specified, reference to, and the definition of any document (including this Agreement) shall be deemed a reference to such document as may be, amended, supplemented, revised or modified from time to time.

(b) Unless otherwise specified, all references to an "Article," "Section," or "Schedule" are to an Article or Section hereof or a Schedule attached hereto.

(c) All headings herein are intended solely for convenience of reference and shall not affect the meaning or interpretation of the provisions of this Agreement.

(d) Unless expressly provided otherwise, the word "including" as used herein does not limit the preceding words or terms and shall be read to be followed by the words "without limitation" or words having similar import.

(e) Unless expressly provided otherwise, references herein to "consent" mean the prior written consent of the Party at issue, which shall not be unreasonably withheld, delayed or conditioned.

(f) A reference to any Party to this Agreement or another agreement or document includes the Party's permitted successors and assigns.

(g) Unless the contrary clearly appears from the context, for purposes of this



Agreement, the singular number includes the plural number and vice versa; and each gender includes the other gender.

(h) Except where specifically stated otherwise, any reference to any applicable law or agreement shall be a reference to the same as amended, supplemented or re-enacted from time to time.

(i) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(j) The Parties acknowledge that they and their counsel have reviewed and revised this Agreement and that no presumption of contract interpretation or construction shall apply to the advantage or disadvantage of the drafter of this Agreement.

16. Definitions

For purposes of this Agreement, including the recitals, the following terms shall have the meanings indicated below:

"Affiliate" means, in relation to any Person, any entity controlled, directly or indirectly, by such Person, any entity that controls, directly or indirectly, such Person, or any entity directly or indirectly under common control with such Person. For this purpose, "control" of any entity or Person means ownership of a majority of the issued shares or voting power or control in fact of the entity or Person.

"Agreement" has the meaning set forth in the preamble of this Agreement.

"Applicable Law" means (i) any law, statute, regulation, code, ordinance, license, decision, order, writ, injunction, decision, directive, judgment, policy, decree and any judicial or administrative interpretations thereof, (ii) any agreement, concession or arrangement with any Governmental Authority and (iii) any license, permit or compliance requirement, including Environmental Law, in each case as may be applicable to either Party, commercial cannabis activities, or the subject matter of this Agreement.

"Bank Holiday" means any day (other than a Saturday or Sunday) on which banks are authorized or required to close in the State of California.

"Bankrupt" means a Person that (i) is dissolved, other than pursuant to a consolidation, amalgamation or merger, (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due, (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors, (iv) institutes a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, (v) has a resolution passed for its winding-up, official management or liquidation, other than pursuant to a consolidation, amalgamation or merger, (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for all or substantially all of its assets, (vii) has a secured party take possession of all or substantially all of its assets, or has a

distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets, (viii) files an answer or other pleading admitting or failing to contest the allegations of a petition filed against it in any proceeding of the foregoing nature, (ix) causes or is subject to any event with respect to which, under Applicable Law, has an analogous effect to any of the foregoing events, (x) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy under any bankruptcy or insolvency law or other similar law affecting creditors' rights and such proceeding is not dismissed within fifteen (15) days or (xi) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing events.

"Bankruptcy Code" means chapter 11 of Title 11, U.S. Code, as amended.

"Business" means the activities of the Parties in connection with operating and managing a cannabis cultivation business at the Facility.

"Business Day" means any day that is not a Saturday, Sunday, or Bank Holiday.

"Commencement Date" means the date on which the Company provides the Commencement Notice to Humboldt.

"Commencement Notice" means a written notice from Company to Humboldt indicating that the Term of the Agreement is deemed to be in effect within 100 days thereafter.

"Company" has the meaning set forth in the preamble of this Agreement.

"Contract Date" has the meaning set forth in the preamble to this Agreement.

"Defaulting Party" has the meaning set forth in Section 11 of this Agreement.

"Environmental Law(s)" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. Sections 9601, et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Sections 6901, et seq., the Toxic Substances Control Act, 15 U.S.C. Sections 2601, et seq., the Hazardous Materials Transportation Act, 49 U.S.C. 5101, et seq., and the Clean Water Act, 33 U.S.C. Sections 1251, et seq., as said laws have been supplemented or amended to date, the regulations promulgated pursuant to said laws and any other state or local law, statute, rule, regulation or ordinance which regulates or proscribes the use, storage, disposal, presence, clean-up, transportation or release or threatened release into the environment of Hazardous Materials.

"Event of Default" has the meaning set forth in Section 11 of this Agreement.

"Facility" means the cannabis cultivation facility that will be constructed in the country of Barbados.

"Force Majeure" means any cause or event reasonably beyond the control of a Party, including fires, earthquakes, lightning, floods, explosions, storms, adverse weather, landslides and other acts of natural calamity or acts of God; infestations; strikes, grievances, actions by or among workers or lock-outs (whether or not such labor difficulty could be settled by

acceding to any demands of any such labor group of individuals and whether or not involving employees of the Company or Humboldt); accidents at, closing of, or restrictions upon the use of mooring facilities, docks, ports, pipelines, harbors, railroads or other navigational or transportation mechanisms; disruption or breakdown of, explosions or accidents to wells, storage plants, refineries, terminals, machinery or other facilities; acts of war, hostilities (whether declared or undeclared), civil commotion, embargoes, blockades, terrorism, sabotage or acts of the public enemy; any act or omission of any Governmental Authority; good faith compliance with any order, request or directive of any Governmental Authority; curtailment, interference, failure or cessation of supplies reasonably beyond the control of a Party; or any other cause reasonably beyond the control of a Party, whether similar or dissimilar to those above and whether foreseeable or unforeseeable, which, by the exercise of due diligence, such Party could not have been able to avoid or overcome.

"Governmental Authority" means any federal, state, regional, local, or municipal governmental body, agency, instrumentality, authority or entity established or controlled by a government or subdivision thereof, including any legislative, administrative or judicial body, or any person purporting to act therefor.

"Hazardous Materials" means the following: Any substance which is (i) designated, defined, classified or regulated as a hazardous substance, hazardous material, hazardous waste, pollutant or contaminant under any Environmental Law, as currently in effect or as hereafter amended or enacted, (ii) a petroleum hydrocarbon, including crude oil or any fraction thereof and all petroleum products, (iii) PCBs, (iv) lead, (v) asbestos, (vi) flammable explosives, (vii) infectious materials, or (viii) radioactive materials.

"Cannabis Benchmarks Index Price" means the Cannabis Benchmarks Cannabis Benchmarks Index for California published by www.cannabisbenchmarks.com. At such time as there is more than one industry-recognized source for prices, the purchase price shall be the average of the published sources.

"Liabilities" means any losses, liabilities, charges, damages, deficiencies, assessments, interests, fines, penalties, costs and expenses (collectively, "Costs") of any kind (including reasonable attorneys' fees and other fees, court costs and other disbursements), including any Costs directly or indirectly arising out of or related to any suit, proceeding, judgment, settlement or judicial or administrative order and any Costs arising from (i) the Business and/or (ii) compliance or non-compliance with Applicable Law.

"Measured Cannabis Product" means, for any calendar day, the total quantity of a particular Product that, during such calendar day, was measured pursuant to the Company's standard operating procedures as set forth in Exhibit A.

"Humboldt" has the meaning set forth in the preamble of this Agreement.

"Non-Defaulting Party" has the meaning set forth in Section 11 of this Agreement.

"Party" and **"Parties"** has the meaning set forth in the preamble of this Agreement.

"Person" means an individual, corporation, partnership, limited liability company, joint venture, trust or unincorporated organization, joint stock company or any other private entity or organization, Governmental Authority, court or any other legal entity, whether acting in an individual, fiduciary or other capacity.

"Pricing Date" has the meaning set forth in Section 3 of this Agreement.

"Products" means cannabis cultivated at the Facility and cannabis products created at the Facility or facilities designated and agreed upon by both parties.

"Purchase Date" has the meaning set forth in Section 4 of this Agreement.

"Purchase Price" has the meaning set forth in Section 3 of this Agreement.

"Purchased Product" means Products purchased by Humboldt pursuant to this Agreement.

"Storage Areas" means areas in the Facility designated for storage of Purchased Product.

"Termination Date" has the meaning set forth in Section 1 of this Agreement.

(SIGNATURES ON NEXT PAGE)

IN WITNESS WHEREOF, the parties hereto have executed this Offtake Agreement as of the date and year first above written.

HUMBOLDT:

HUMBOLDT BLISS, LTD
a Barbadian limited company

By: 

Robin P. Cho, Director

COMPANY:

AGRIFORCE GROWING SYSTEMS, LTD
a Canadian limited company

By: 

Ingo Mueller
Chief Executive Officer

SCHEDULE A

QUALITY STANDARDS will be set as per paragraph 3.4(c)

SHARE PURCHASE AGREEMENT

by and among

Jacco van der Wekken Holding B.V.

René van Tol Beheer B.V.

GeJo B.V.

Arnoud & Anja Beheer B.V.

Cor van Oers Beheer B.V.

Roelof Naber Beheer B.V.

Harm Brinks Beheer B.V.

Ad van Laarhoven Beheer B.V.

Stekidotema Beheer B.V.

P.T.M. Hooijman

A.F.V. Braam

C. Oele

and

C. A. Bal

as the Sellers

and

AgriForce Growing Systems Ltd.

as the Purchaser

regarding the sale and transfer of
100% of the issued and outstanding shares in the capital of

Delphy Groep B.V.

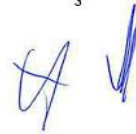
10 February 2022



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Handwritten signature and initials in blue ink.

THIS AGREEMENT (the Agreement) is made on 10 February 2022.

BETWEEN:

- (1) **Jacco van der Wekken Holding B.V.**, a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, whose statutory seat (*statutaire zetel*) is in Lienden, the Netherlands, with its registered office at Voorstraat 59, (4033 AC) Lienden, the Netherlands and registered at the Trade Register under number 11063063, hereby legally represented by its statutory director Cornelis Jacob van der Wekken;
- (2) **Arnoud & Anja Beheer B.V.**, a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, whose statutory seat (*statutaire zetel*) is in Wageningen, the Netherlands, with its registered office at Markt 23, (6701 CX) Wageningen, the Netherlands and registered at the Trade Register under number 09154706, hereby legally represented by its statutory director Arnoud Christiaan van Boven;
- (3) **René van Tol Beheer B.V.**, a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, whose statutory seat (*statutaire zetel*) is in Hazerswoude-Dorp, the Netherlands, with its registered office at Dorpsstraat 20, (2391 BG) Hazerswoude-Dorp, the Netherlands and registered at the Trade Register under number 28107413, hereby legally represented by its statutory director René van Tol;
- (4) **Cor van Oers Beheer B.V.**, a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, whose statutory seat (*statutaire zetel*) is in Oud Gastel, the Netherlands, with its registered office at Neerstraat 12, (4751 RH) Oud Gastel, the Netherlands and registered at the Trade Register under number 20122036, hereby legally represented by Cornelis Antonius Franciscus van Oers;
- (5) **GeJo B.V.**, a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, whose statutory seat (*statutaire zetel*) is in Emmen, the Netherlands, with its registered office at Adelaarshof 3, (8161 MA) Epe, the Netherlands and registered at the Trade Register under number 04079117, hereby legally represented by its statutory director Johannes Antonius Maria van Buren;
- (6) **Ad van Laarhoven Beheer B.V.**, a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, whose statutory seat (*statutaire zetel*) is in De Moer, the Netherlands, with its registered office at Middelstraat 41, (5176 NH) De Moer the Netherlands and registered at the Trade Register under number 18080291, hereby legally represented by its statutory director Adrianus Johannes Maria van Laarhoven;
- (7) **Harm Brinks Beheer B.V.**, a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, whose statutory seat (*statutaire zetel*) is in Boxmeer, the Netherlands, with its registered office at Van Speyk 135, (5831 LC) Boxmeer the Netherlands and registered at the Trade Register under number 17182532, hereby legally represented by its statutory director Harm Brinks;

- (8) **Roelof Naber Beheer B.V.**, a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, whose statutory seat (*statutaire zetel*) is in Gieten, the Netherlands, with its registered office at Gasselterweg 1a, (9461 HA) Gieten, the Netherlands and registered at the Trade Register under number 04079110, hereby legally represented by its statutory director Roelof Naber;
- (9) **Stekidotema Beheer B.V.**, a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, whose statutory seat (*statutaire zetel*) is in 's Gravenzande, the Netherlands, with its registered office at Noordlandselaan 15B, (2691 KS) 's Gravenzande, the Netherlands and registered at the Trade Register under number 27274239, hereby legally represented by its statutory director Leendert Arie van den Berg;
- (10) **C. Oele**, born in Kattendijke on 11 May 1960, living at Brede Hilledijk 444C, (3072 NK) Rotterdam, the Netherlands, acting on his own behalf;
- (11) **A.F.V. Braam**, born in Anna Paulowna on 7 March 1965, living at Bernhardlaan 22, (1735 HJ) 'T Veld, the Netherlands, acting on his own behalf;
- (12) **P.T.M. Hooijman**, born in Haarlemmermeer on 27 December 1967, living at Vorenpakker 10, (8314 AX) Bant, the Netherlands, acting on his own behalf;
- (13) **C.A. Bal**, born in Goes on 30 July 1989, living at Rozenstraat 14, (4434 AL) Kwadendamme, the Netherlands, acting on his own behalf; and
- (14) **AgriForce Growing Systems Ltd.**, a limited liability company incorporated under the laws of Canada, with its registered office at 500-1112 W Pender St. Vancouver British Columbia V6E 2S1, and registered in the commercial register under number BC1146470 (the 'Purchaser')

The parties under (1) to (13) are collectively referred to as the 'Sellers' and each individually referred to as a 'Seller'.

The Sellers and the Purchaser are also collectively referred to as the 'Parties' and each individually as a 'Party'.

RECITALS:

- (A) The Sellers are the full legal and beneficial owners of and jointly hold all (100%) issued and outstanding shares in the capital of:
- Delphy Groep B.V.**, a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, with registered office (*statutaire zetel*) in Wageningen, the Netherlands, and its offices at Agro Business Park 5, 6708 PV Wageningen, the Netherlands, registered at the Trade Register under number 09154407 (hereinafter 'Delphy'),
- being 15,392 ordinary shares with a nominal value of EUR 1.00 each, (the 'Shares'), each of the Sellers individually holds the Shares as set out in Schedule 2 (*Shares per Seller*).
- (B) Delphy directly holds: (i) 100% of the shares in Delphy B.V., (ii) 100% of the shares in Aegisto B.V., (iii) 100% of the shares in Delphy Projects B.V., (iv) 100% of the shares in

GreenQ Group B.V. (which in turn owns 100% of the shares in Improvement Centre B.V.), (v) 100% of the shares in Delphy (Shanghai) Agriculture Technology Co. Ltd., (vi) 100% of the shares in Delphy Rwanda Ltd., (vii) 85% of the shares in Delphy Poland Sp. z o.o., (viii) 50% of the shares in Delphy Japan Co. Ltd.

The aforementioned companies, of which Delphy owns \geq 50% of the shares, shall hereinafter be referred to as the '**Subsidiaries**', the Subsidiaries and Delphy together shall hereinafter be referred to as the '**Group**' or the '**Group Companies**'.

Furthermore, Delphy directly holds: (ix) 49.99% of the shares in Delphy CVBA, (x) 35.2% of the shares in Delphy UK Ltd., (xi) 30% of the shares in HAS Hortiadvice A/S, (xii) 13% of the shares in Latia Agribusiness Solutions Ltd., and (xiii) 41% of the shares in Xplant B.V.

The aforementioned companies, of which Delphy owns $<$ 50% of the shares, shall hereinafter be referred to as the '**Participations**'. Corporate information on the Group Companies and the Participations has been set out in Schedule 3 (*The Group Companies*).

- (C) The Group carries out a business consisting of providing *inter alia* advice, information and services in the field of floriculture, pot and bedding plant cultivation, greenhouse vegetables, outdoor vegetable production, cut flowers, agriculture, flower bulbs and other agricultural sectors. The Group also operates modern greenhouse complexes in which new cultivation concepts and technical installations are developed, tested and demonstrated. All such activities carried out by the Group and the Participations are hereinafter referred to as the '**Business**'.
- (D) The Parties have held discussions and have entered into negotiations with respect to the sale and transfer of the Shares by the Sellers to the Purchaser (the '**Transaction**'), which discussions and negotiations have resulted in the execution by Parties of a letter of intent dated October 21st 2021 (the '**Letter of Intent**').
- (E) The Purchaser has performed a due diligence investigation in respect of the Group Companies, the Shares, the Business and all assets, results of operations and other commercial, financial, legal, and tax matters relating to the Group Companies, based on information and documentation made available to the Purchaser and its advisors in the Data Room (the '**Due Diligence Investigation**').
- (F) The Sellers wish to sell and transfer the Shares to the Purchaser, and the Purchaser wishes to purchase and accept the transfer of the Shares, on the terms and subject to the conditions as set out in this Agreement.
- (G) The Parties have obtained all necessary corporate and other internal approvals required by it to enter into this Agreement and to complete and consummate the Transaction, subject to the conditions as set out herein.
- (H) Each of the relevant Parties has complied with the Social and Economic Council Merger Regulation for the protection of employees (*SER-Besluit Fusiegedragsregels 2015 ter bescherming van de belangen van werknemers*) and the requirements under the Works Councils Act (*Wet op de ondernemingsraden*), to the extent applicable.
- (I) The relevant Parties have determined that a works council has been established within the Group (*ondernemingsraad*) but not at the level of Delphy. Delphy has consulted with this

works council, and the works council has, in joint consultation, declared that its advice is not required to consummate the Transaction.

- (J) In this Agreement the Parties wish to set out the terms and conditions of the sale and transfer of the Shares by the Seller and the purchase and acquisition of the Shares by the Purchaser.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

- 1.1 Capitalized words and expressions used in this Agreement, including the preamble, the recitals, Schedules and Annexes to it, have the meanings set out in Schedule 1 (*Definitions and Interpretations*), unless the context clearly requires otherwise. Schedule 1 includes provisions regarding the construction and interpretation of this Agreement.

2. SALE AND PURCHASE

- 2.1 By and subject to the terms and conditions in this Agreement, the Sellers hereby sell to the Purchaser and the Purchaser hereby purchases the Shares from the Sellers.
- 2.2 On Completion, the Shares shall be transferred (*geleverd*) free from any and all Encumbrances and together with all rights attached to them by execution of a notarial deed of transfer, in market practice form and without additional representation, warranties, guarantees or other obligations of the Sellers, to be agreed upon by the Parties prior to Completion (the '**Deed of Transfer**').
- 2.3 The Parties shall procure that the legal transfer (*juridische levering*) of the Shares (the '**Transfer**') and consummation of the Transaction as a whole ('**Completion**') shall take place in accordance with the provisions of Schedule 6 (*Completion*).

3. EFFECTIVE DATE

- 3.1 Subject to Completion taking place and the terms and conditions of this Agreement, the Shares, as well as all rights and obligations in connection with the Business, shall be for the economic benefit and risk of the Purchaser with effect as of 1 January 2021 as of 00:00 CET (the '**Effective Date**'), irrespective of the fact that Completion takes place at a date other than the Effective Date.

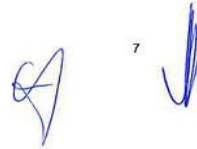
4. PURCHASE PRICE

- 4.1 The purchase price for the Shares (the '**Purchase Price**') shall amount to the aggregate of the following amounts:
- (a) the amount of EUR 18,834,784.80 (in words: eighteen million eight hundred thirty four thousand seven hundred eighty-four Euros and eighty cents) (the '**Base Purchase Price**');

minus (-/-)
- (b) the Leakage Amount pursuant to Schedule 8 (*Leakage*), if any;

plus (+/+)

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- (c) the issuance of shares of AgriForce with an aggregate market value of EUR 4,708,696.20 (in words: four million seven hundred eight thousand six hundred ninety-six Euros and twenty cents) in accordance with Clause 6 (the '**AgriForce Shares**').
- 4.2 At Completion, the Purchaser shall issue the AgriForce Shares to the Sellers in accordance with Clause 6, and pay the Base Purchase Price *minus* (-/-) the Leakage Amount, if any, (the '**Cash Completion Amount**'), in accordance with and subject to Clause 5, to the Sellers.
- 4.3 Any payment made under this Agreement by the Sellers to the Purchaser (including as compensation for a Breach) or, as the case may be, by the Purchaser to the Sellers, shall to the extent reasonably possible be deemed to be an adjustment of the Purchase Price and treated accordingly by the Parties to the extent possible.
- 4.4 On Completion, the Parties shall execute and sign a detailed letter of instruction to the Notary setting out the closing mechanics and the funds flow at Completion, in such form as the Parties are to agree upon (the '**Notary Letter**'), in accordance with Schedule 6 (*Completion*).
5. **PAYMENT**
- 5.1 The Purchaser shall procure that the Cash Completion Amount shall have been paid in immediately available funds on the Completion Date, by or on behalf of the Purchaser by wire transfer to the Notary Account under the reference '*Cash Completion Amount Project Oracle*' by no later than 10:00 CET on the Completion Date. The relevant amount shall be held by the Notary in the Notary Account for the benefit and at the instruction of the Purchaser, which paid such amounts, until execution of the Deed of Transfer, whereupon the Notary shall hold the Cash Completion Amount for and on behalf of the Sellers, for distribution in accordance with the Notary Letter.
- 5.2 The Cash Completion Amount to be paid from the Notary Account to a Seller shall be reduced with any outstanding amounts at that time under any existing loans between such Seller on the one hand and Delphy and/or any of the Group Companies on the other hand (the '**Repayment Amount**'). The Repayment Amount shall be paid from the Notary Account directly to Delphy and/or the respective Group Company on behalf of such Seller, the instructions for which shall be included in the Notary Letter.
- 5.3 The Transfer Agent, VStock Transfer, LLC, shall issue the AgriForce Shares to each Seller in accordance with each Seller's pro rata entitlement to the Purchase Price as set out in Schedule 2 (*Shares per Seller*). The AgriForce Shares shall be issued in book entry form (to be evidenced by a statement issued by the Transfer Agent at Completion), with an issuance price per share equal to the volume weighted average price (VWAP) for the five (5) trading days prior to the Completion Date, which in the aggregate shall have a market value of EUR 4,708,696.20 (in words: four million seven hundred eight thousand six hundred ninety-six Euros and twenty cents).
- 5.4 At Completion the Sellers, as per the moment of execution of the Notarial Transfer Deed, grant full and final discharge (*kwijting*) to the Purchaser for the payment of the Cash Completion Amount and Purchasers' obligation to issue the AgriForce Shares.

6. ISSUANCE OF AGRIFORCE SHARES

- 6.1 On the Completion Date, the AgriForce Shares shall be issued in a private placement transaction exempt from registration under Section 4(a)(2) of the United States Securities Act of 1933 (the "Securities Act"), as amended, or outside the United States in an offshore transaction in reliance on Regulation S, and such shares shall bear restrictive legends to that effect.
- 6.2 With a view to making available to the Sellers the benefits of certain rules and regulations of the Securities Act which may permit the sale of the AgriForce Shares to the public without registration, the Purchaser agrees to: (a) use reasonable best efforts to make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act; (b) use reasonable best efforts to file with the Securities Exchange Commission in a timely manner all reports and other documents required of the Purchaser under the Securities Act and the Exchange Act; (c) use reasonable best efforts to furnish to the Sellers forthwith upon written request such information in the possession of the Purchaser as a Seller may reasonably request in availing itself of any rule or regulation of the Securities Exchange Commission allowing each Seller to sell any such securities without registration without restriction; and (d) provide confirmation, promptly following any written request from a Seller, whether Purchaser has adequate current public information available to satisfy the requirements of paragraph (c) of Rule 144.
- 6.3 The AgriForce Shares shall be restricted for at least six (6) months, in accordance with Rule 144 of the Securities Act and the following lock up schedule, before being received by the Sellers. The AgriForce Shares will be released to the Sellers on a yearly basis in accordance with the following scheme:
- 31st December 2022: 30% of the AgriForce Shares,
31st December 2023: 30% of the AgriForce Shares,
31st December 2024: 40% of the AgriForce Shares.
- 6.4 If, before all the AgriForce Shares have been released in accordance with Clause 6.3, the employment agreement on the basis of which a Seller, its direct or indirect shareholder or ultimate beneficial owner, as the case may be, performs work for the Group is terminated:
- a) by the relevant Seller, its direct or indirect shareholder or ultimate beneficial owner, as the case may be; or
 - b) pursuant to dismissal on the basis of an urgent reason as defined in section 7:678 DCC (including but not limited to wilful misconduct, gross negligence and bad faith); or
 - c) pursuant to dismissal on the basis of inadequate performance,
- then such Seller forfeits its entitlement to the remaining AgriForce Shares, and these AgriForce Shares shall be transferred and released to the other Sellers in accordance with the remaining Sellers' pro rata entitlement to the Purchase Price as set out in Schedule 2 (*Shares per Seller*) as shall be so notified in writing to the Purchaser by the Sellers.
- 6.5 The provisions of Clause 6.4 shall not apply in case the employment agreement, on the basis of which a Seller, its direct or indirect shareholder or ultimate beneficial owner, as the case may be, performs work for the Group, ends due to death or permanent disability

(*arbeidsongeschiktheid*) of such person, or after such person reaches the age of 63, in which case Clause 6.3 will continue to apply as if the relevant employment agreement has not ended.

- 6.6 For the purpose of receiving the AgriForce Shares, each Seller represents and warrants as follows:
- a) Seller is an "accredited investor" as defined in Rule 501(a) under the Securities Act or Seller is not a U.S. person and will receive the AgriForce Shares outside the United States in an offshore transaction in reliance on Regulation S.
 - b) Seller has the knowledge and experience in financial and business matters and has had access to sufficient information, to enable it to evaluate the merits and risks of an investment in the AgriForce Shares.
 - c) Seller is acquiring the AgriForce Shares solely for investment purposes and not with a view to, or in connection with, any sale or other distribution thereof.
 - d) Seller acknowledges that the AgriForce Shares are not registered under the Securities Act or any other applicable securities or "blue-sky" law, and that the AgriForce Shares may not be sold or otherwise transferred except pursuant to the registration provisions of the Securities Act or pursuant to an applicable exemption therefrom and pursuant to the requirements of any other applicable securities or "blue-sky" law.
 - e) Seller has sufficient financial resources to bear the economic risk of its investment in the Shares and the risk of holding the AgriForce Shares indefinitely.
 - f) The AgriForce Shares shall bear legends restricting resale unless pursuant to an effective registration statement or pursuant to a valid legal exemption such as Rule 144, and in the case of the AgriForce Shares purchased pursuant to Regulation S, shall bear legends containing the offering restrictions in Rule 903(b)(3)(iii). The Seller will be required to provide an opinion of counsel as to availability of the applicable exemption claimed for any resales.
- 6.7 The Purchaser agrees that at such time a legend as referred to in 6.6(f) is no longer required under this section, it will, no later than three business days following the delivery by a Seller to the Purchaser or to the Transfer Agent of any AgriForce Shares of the Seller issued with a restrictive legend, together with such representations and covenants of such Seller or such Seller's executing broker as the Purchaser may reasonably require in connection therewith, deliver or cause to be delivered to such Seller a book entry position representing such AgriForce Shares is free from any legend referring to the Securities Act. All costs and expenses related to the removal of the legends of any AgriForce Shares shall be borne by the Purchaser.
- 6.8 The Purchaser represents and warrants that none of the Purchaser, its affiliates or any person acting on its behalf have engaged or will engage in respect of the AgriForce Shares in either (i) any "directed selling efforts" (as defined in Regulation S) or (ii) any form of general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act.
- 6.9 The Purchaser and Sellers represent, warrant and undertake that any initial announcement regarding the Transaction or the issuance of AgriForce Shares will be made by a press

release in form pre-agreed between the Purchasers and the Sellers, and thereafter the Purchaser and the Sellers shall consult with each other before issuing any further press release(s) or otherwise making any public statement or making any announcement with respect to this Transaction or the issuance of the AgriForce Shares and shall not issue any such press release, public statement or announcement without the other party's written consent (which shall not be unreasonably withheld, conditioned or delayed). Notwithstanding the foregoing, so long as any of the following comply with Rule 135c under the Securities Act or another exemption: (a) each of the Purchaser or Seller may, without such consultation or consent, make any public statement in response to questions from the press, analysts, investors or those attending industry conferences, and make internal announcements to employees, so long as such statements are consistent with previous press releases, public disclosures or public statements made jointly by the Purchaser and Seller (or individually, if approved by the other party), and (b) Purchaser or Seller may, without the prior consent of the other party but subject to giving advance notice to the other party (to the extent practical) and giving due consideration to comments from the other party, issue any such press release or make any such public announcement or statement as may be required by applicable law.

7. THE ESCROW AMOUNT

- 7.1 As security and source of remedy for payment obligations of the Sellers arising under any Claims, specific indemnity as set out in Clause 19 or other claim arising under this Agreement which become known and/or become due after the Completion Date, an amount of EUR 5,885,870.25 (in words: five million eight hundred eighty-five thousand eight hundred seventy Euros and twenty-five cents) will be held in the Escrow Account (the '**Escrow Amount**').
- 7.2 The Sellers and the Purchaser shall on the Completion Date enter into the Escrow Agreement (as defined below), in such form as the Parties and the Escrow Agent are to agree upon, in which – *inter alia* – it will be stipulated that the Escrow Amount will be held in the Escrow Account in accordance with the agreement to be concluded between the Parties and the Escrow Agent (the '**Escrow Agreement**'). For the avoidance of any doubt, the costs and fees associated with the Escrow Agent and Escrow Account, including any negative interest, relating to the Escrow Amount will be borne for 50% by the Purchaser and for 50% by the Sellers.
- 7.3 The Escrow Amount will be held in the Escrow Account for a period of twenty-four (24) months following payment thereof by the Notary to the designated bank account of the Escrow Agent on the Completion Date, in accordance with the Notary Letter and the Escrow Agreement.
- 7.4 Eighteen (18) months following Completion, if all or part of the Escrow Amount remains outstanding, 50 % of the remaining Escrow Amount reduced by any amount in dispute with regard to any unsettled claim at such time, shall be released to Sellers. Where all or part of the Escrow Amount remains outstanding after settlement of any and all Claims by Purchaser, as have been filed in the period of twenty-four (24) months following Completion in accordance with Clause 16, the balance of the Escrow Amount shall be released to the Sellers. If after expiry of aforementioned period of twenty-four (24) months following Completion, any claim of the Purchaser under or against the Escrow Amount has not been finally settled, then the full balance of the Escrow Amount reduced by the amount in dispute associated with such outstanding claim will be released to the Sellers. Upon depletion of the Escrow Amount, following settlement of Claims or release to the Sellers under this Clause 7, the Escrow Agreement shall terminate accordingly.

8. LEAKAGE AMOUNTS

- 8.1 Other than the Permitted Leakage or Leakage as set forth in the Leakage Notice, as mentioned in Schedule 8 (*Leakage*), each of the Sellers warrants and undertakes to the Purchaser with respect to each of the Group Companies that in the Interim Period there has not been, nor will there be, any Leakage in accordance with Schedule 8 (*Leakage*).
- 8.2 In accordance with Schedule 8 (*Leakage*), any amount of Leakage and Additional Leakage will be calculated on an after-Tax basis. For this purpose, "on an after-Tax basis" means the amount of each Leakage item:
- (i) minus the amount of VAT recoverable or reasonably expected to be recoverable by a Group Company in respect of such Leakage item; and
 - (ii) minus an amount equal to any actual reduction or reasonably expected reduction of the taxable result for corporate income tax purposes of the Group Companies resulting from the deductibility of the relevant Leakage item, being a '**Leakage Tax Benefit**'.
- 8.3 Parties shall in good faith negotiate on any disputes relating to calculations of any Leakage or Additional Leakage item on after Tax basis.
- 8.4 If no agreement as meant in Clause 8.3 is reached between the Parties before Completion in respect of a Leakage item "on an after Tax basis", such Leakage item will as part of Completion be settled without taking into account any Leakage Tax Benefit. If, after Completion, any such Leakage Tax Benefit is realised, the Purchaser shall within twenty-one (21) Business Days after realisation pay the amount of the Leakage Tax Benefit to the Sellers in accordance with Clause 30.

9. CONDITIONS

- 9.1 Completion is conditional on the conditions set out below (the '**Conditions**') being satisfied or waived in accordance with Clause 9.2:
- (a) shareholders' approval of the Purchaser's shareholders for the issuance of new shares of AgriForce (including the AgriForce Shares as part of the Transaction);
 - (b) no Material Adverse Change having appeared or occurred in the period between execution of this Agreement up to and including the Completion Date.
- 9.2 The Conditions are for the sole benefit of the Purchaser and can only be waived by the Purchaser. Any waiver will be without prejudice to any other rights or remedies the Purchaser may have, including the right to claim Damages.
- 9.3 The Purchaser and the Sellers will timely inform the other Party of all relevant developments regarding the fulfilment of the Conditions.
- 9.4 If any Party becomes aware of anything that will or may prevent any of the Conditions from being fulfilled, it will, as soon as practicable, notify the other Parties.
- 9.5 Each Party shall use all reasonable efforts to procure that each of the Conditions are satisfied on or before the Signing Date + 60 Business Days (the **Long Stop Date**). If the Condition

has not been fulfilled or waived (as the case may be) on or before the Long Stop Date, this Agreement may be terminated without liability by the Purchaser or the Sellers by written notice to the other Party, in which event all provisions of this Agreement shall terminate except for this Clause 9.5, Clause 25, Clause 26, Clause 27, Clause 28, Clause 29, Clause 30, Clause 31, Clause 32, Clause 33, Clause 34, Clause 37, Clause 38, and Clause 39 together with the provisions of Clause 1 and Schedule 1 (*Definitions and Interpretations*). All other Clauses of this Agreement shall lapse and cease to have any effect, provided that the termination of this Agreement or the lapsing of those provisions shall not affect any rights or liabilities of any Party in respect of any previous breach of this Agreement.

10. PRE-COMPLETION

10.1 As from the Signing Date until Completion, the Sellers shall:

- (a) procure that, to the extent necessary to enable Purchaser to comply with its obligations under this Agreement, the Purchaser, its representatives and advisers are given reasonable access to the management, the books and records and accounts of the Group Companies and any other information relevant to the Business or as the Purchaser may reasonably request during normal business hours on any Business Day and on reasonable notice to the Sellers, with for the avoidance of doubt the exception of sensitive competitive information; and
- (b) provide such other co-operation to the Purchaser, its representatives and advisers as they may reasonably request to enable Purchaser to comply with its obligations under this Agreement, provided that:
 - (i) the access referred to in this Clause 10.1 must not unreasonably disturb or interfere with the normal operations of the Group Companies;
 - (ii) the Purchaser and its representatives must comply with all applicable security, health and safety requirements communicated to them.

10.2 Without prejudice to Clause 11.3, the Sellers shall, and shall procure that each Group Company shall continue to operate its business as a going concern in the ordinary course of business consistent with past practice and, in so far as can reasonably be expected and subject to commercial considerations, preserve good customer and supplier relationships as well as relationships with other parties.

10.3 The Sellers shall procure that from the date of this Agreement up to Completion none of the Group Companies shall, except in the event specifically agreed otherwise in this Agreement, without the prior written consent of the Purchaser (which shall not be unreasonably withheld or delayed and shall in any event be deemed to be given if no response is received within seven (7) Business Days of a request by the Sellers):

- (a) (i) issue any shares in its capital, or (ii) grant or issue or sell any securities convertible (including options) into, or exchangeable for, carrying the right to subscribe for any shares in its capital, or carrying a right to share in the profits of the Group Companies or (iii) enter into any agreement with any party giving that person the right to share in the profits of the Group Companies;
- (b) declare or pay any dividends or other distributions with respect to its shares;

- (c) redeem or repurchase any of its share capital, other than the retraction of the Shares of Stichting Participatie DLV Plant Groep, included as a pre-completion action in Schedule 6 (*Completion*);
- (d) create, incur, increase, renew, grant or assume any material debt, liability or obligation, other than in the ordinary course of business consistent with past practice;
- (e) assume, guarantee or otherwise become liable for the obligations of, or make any loans or advances to any other third party;
- (f) waive or release or otherwise dispose of any right of material value without adequate consideration;
- (g) dispose of or remove from its properties any of its material assets, except in the ordinary course of business consistent with past practice;
- (h) enter into any agreement under which it assumes liability in excess of EUR 100,000 (in words: one hundred thousand Euros);
- (i) amend or deviate from its policies or practices (as applied by the Group Companies in accordance with past practice) with respect to collection of accounts receivable or payment of debts and accounts payable;
- (j) institute or settle any legal proceedings, except for debt collection in the ordinary course of business consistent with past practice;
- (k) with respect to any of its directors or employees, amend any of their terms of employment, including in respect of rate of compensation and benefit plans, pension benefits, terms of severance, collective bargaining agreements or social plans except as required by law, collective bargaining agreement or existing employment agreement other than in the ordinary course of business consistent with past practice;
- (l) enter into, amend or terminate any lease, other than in the ordinary course of business consistent with past practice;
- (m) permit any of its insurance policies to lapse or to become void or voidable;
- (n) make or become obligated to make any capital expenditures in excess of EUR 100,000 (in words: one hundred thousand Euros) in the aggregate for each Group Company;
- (o) mortgage, pledge, subject to any lien, charge or otherwise encumber any of its assets;
- (p) make any alteration in the manner of keeping its books, accounts or records, except to the extent required by law;
- (q) terminate or amend any significant agreements (for the business of the Group Companies) that carries or implies financial consequences in excess of EUR 100,000 (in words: one hundred thousand Euros) ;
- (r) enter into any agreement obligating it to do any of the foregoing; or

- (s) enter into any agreement or assume any obligation or liability relating to its assets, business or financial position which is not in the ordinary course of business consistent with past practice or not at arms' length.
- 10.4 The Sellers shall immediately notify the Purchaser in writing and in reasonable detail of any fact or condition which arises or becomes known to it, prior to Completion, which causes or constitutes (or would after the lapse of time cause or constitute) a Breach or might otherwise have an adverse effect on the business, liabilities, prospects or financial condition of the Group Companies.
11. **POST-COMPLETION**
- The Purchaser shall:
- (a) make available, or cause to be made available, to the Sellers, its direct or indirect shareholders or ultimate beneficial owners, all information, records or documents of the Group, which may be reasonably requested by the Sellers, its direct or indirect shareholder or ultimate beneficial owner, to fulfil their obligations under this Agreement and/or their reporting or filing requirements (including in relation to Tax matters); and
- (b) preserve, or cause to be preserved, any information, records or documents pertinent to the Group that are in its possession or under its control until the expiration of all limitation periods under applicable law.
12. **COMPLETION**
- 12.1 Completion shall take place at the offices of the Notary:
- (a) on the first day of the week following fulfilment of all Conditions, save for such Conditions having been waived by the Purchaser; or
- (b) at such other date as the Purchaser and the Sellers may agree in writing, (the **Completion Date**).
- 12.2 On the Completion Date, the Purchaser must pay the Cash Completion Amount by wire transfer into the Notary Account in accordance with Clause 5. The Notary will only pay such amounts to the Sellers in accordance with this Agreement and the Notary Letter after execution of the Deed of Transfer.
- 12.3 At or prior to Completion, the applicable Parties must do, or procure to be done, those things listed in relation to it in Schedule 6 (*Completion*) and the Notary Letter in the order in which they are required to be carried out pursuant to that Schedule and the Notary Letter (the '**Completion Actions**').
- 12.4 The Notary shall make the relevant payments to the designated bank accounts of the relevant beneficiaries as set out in the Notary Letter on the Completion Date, in accordance with the provisions of the Notary Letter.



- 12.5 The Purchaser and Sellers hereby instruct the Notary to update the original shareholders' register of Delphy in order to reflect the changes pursuant to the Transaction, as well as to procure that any necessary amendments are registered at the relevant trade registers.
- 12.6 In the event that any of the Completion Actions have not, not wholly or not timely been performed at the Completion Date, none of the Completion Actions will be deemed to have taken place, and the Parties shall undertake all such reasonable actions and shall execute such other documents and (notarial) deeds as shall be required or be taken or executed to undo any Completion Actions that have taken place.
- 12.7 In the event this Agreement is terminated pursuant to this Clause 12 the Parties shall undo any Completion Action(s), which has already been taken as soon as possible and each of the Parties shall cooperate with any actions necessary to undo such Completion Action.
- 12.8 If any of the obligations of the Purchaser and the Sellers under this Clause 12, Schedule 6 (*Completion*) and the Notary Letter are not complied with on the Completion Date, the non-defaulting Party may, in addition to, and without prejudice to all other rights or remedies available to it, including the right to claim Damages, by notice to the defaulting Party:
- (a) defer Completion for a period up to 20 Business Days, in which the relevant Party shall be obligated to remedy the breach of this Clause 12, Schedule 6 (*Completion*) and the Notary Letter, which will also apply to the deferred Completion;
 - (b) subject to Completion having first been deferred for a period of twenty (20) Business Days under Clause 12 without effecting Completion or agreement between the Purchaser and the Sellers on an alternate way to proceed, terminate this Agreement without any liability, in which case all provisions of this Agreement shall terminate except for this sub-paragraph (b), Clause 25, Clause 26, Clause 27, Clause 28, Clause 29, Clause 30, Clause 31, Clause 32, Clause 33, Clause 34, Clause 37, Clause 38, and Clause 39 together with the provisions of Clause 1 and Schedule 1 (*Definitions and Interpretations*). All other Clauses of this Agreement shall lapse and cease to have any effect, provided that the termination of this Agreement or the lapsing of those provisions shall not affect any rights or liabilities of any Party in respect of any previous breach of this Agreement.

13. LOANS AND GUARANTEES

- 13.1 The Sellers warrant and confirm that, as of Completion, no indebtedness of any kind (whether or not presently payable) is owed by any of the Group Companies to the Sellers, an affiliated person of Sellers, or any member of Seller's Group, with the exception of indebtedness owed to such persons under their employment agreements. If it is established at any time after Completion that any indebtedness of any kind (whether or not payable) was due from any Group Company to the Sellers or any member of Seller's Group, except under such persons' employment agreements, then the Sellers shall procure that the relevant member of the Seller's Group to which that indebtedness is owed, shall waive that indebtedness by executing a waiver in such form as the Purchaser shall reasonably require or, if that is not possible or practicable, shall procure that such indebtedness is discharged or otherwise eliminated at no cost to the Group Companies or any member of the Purchaser's Group.
- 13.2 The Sellers warrant and confirm that, as of Signing Date, there are no guarantees or indemnities given by any Group Company that relate to any liability or obligation of any member of the Seller's Group. If it is established at any time after Completion that such

guarantees or indemnities exist, the Seller shall indemnify the Purchaser and each Group Company against all liabilities under such guarantees and indemnities.

14. SELLERS' WARRANTIES

- 14.1 The Sellers hereby represent and warrant to the Purchaser that the statements, representations and warranties set out in Schedule 9 (the '**Sellers Warranties**') are true and accurate on the Signing Date and will be true and accurate at Completion, unless any Sellers' Warranty explicitly specifies a different date.
- 14.2 The Sellers acknowledge and agree that:
- (a) each of the Sellers' Warranties is to be interpreted independently and is not limited by any other provision of this Agreement or any other Sellers' warranty; and
 - (b) each of the Sellers' Warranties being true and accurate is essential for the Purchaser's decision to enter into this Agreement on the terms contained therein.
- 14.3 The Sellers' Warranties constitute an express allocation of risk between the Purchaser and the Sellers, to the effect that any Sellers' Warranty being untrue or incorrect is for the account and risk of the Sellers. For the avoidance of doubt, the Sellers hereby waive their rights under section 6:75 of the DCC or any similar provision under any other jurisdiction.
- 14.4 The Parties acknowledge and confirm that the Warranties do not necessarily reflect a factual situation and that the Warranties are not intended to be a factual description of circumstances, but rather serve to allocate the risks, costs, potential liabilities and other consequences that may arise when effectuating that the Purchaser and the Group respectively are put in the position it/they would have been in, had the relevant Sellers' Warranty been true and accurate.
- 14.5 Each Seller hereby irrevocably and unconditionally waives any and all rights that it, and any other (legal) person pertaining to the relevant Seller's Group possibly shall have against any employee, managing director, member of the advisory board (*raad van advies*) or officer of any Group Company in the event of a Claim, except in case of wilful misconduct, intent or fraud. Each such employee, managing director, member of the advisory board or officer shall be a beneficiary of this Clause 14.5 and may rely on and enforce its terms as an irrevocable third party stipulation (*derdenbeding om niet*). Notwithstanding the foregoing, such claim can be made by a Seller against those Sellers, who are coincidentally director of a Group Company, but not in their capacity as an intrinsic part of the Group, in the sense that any such claim cannot adversely affect the Group, or its finances.
- 14.6 The Purchaser acknowledges and agrees that:
- (a) the Sellers' Warranties are the only representations, warranties or other assurances of any kind given by the Sellers or any member of the Group, whether express or implied, in relation to the Transaction on which the Purchaser may rely in entering into this Agreement;
 - (b) other than expressed in the Sellers' Warranties, the Sellers (and their advisers) make no other representation or warranty as to the completeness or accuracy of information, forecasts, estimates, projections, management presentations,

statements of intent or statements of opinion (including the information provided in the Disclosed Information) provided to the Purchaser or its advisers;

- (c) at the Signing Date, it is not aware of any matter or thing which is inconsistent with the Sellers' Warranties or constitutes or may constitute a Breach at the moment of signing; and
- (d) it waives all rights and remedies which, but for this Clause 14, Clause 15, and Clause 16, might otherwise be available to it in respect of any such Sellers' Warranty, whether based on sections 7:17 and 7:20 through 7:23 of the DCC or otherwise.

15. BREACH OF WARRANTIES

- 15.1 The Sellers undertake to pay to the Purchaser or any Group Company, as the Purchaser may elect (the '**Indemnified Party**'), all damages, liabilities, losses and costs incurred by any Indemnified Party as a result of a breach of any of the Sellers' Warranties (a '**Breach**'). comprising the amount pursuant to sections 6:95 and 6:96 of the DCC required to put such Indemnified Party in the position in which it would have been had the Seller's Breach not occurred (the '**Damages**').
- 15.2 Any possible compensation of Damages shall be deemed to constitute a reduction of the Purchase Price, including for Tax purposes.

16. NOTIFICATIONS OF CLAIMS FOR BREACH

- 16.1 The Purchaser shall, after becoming aware of any fact, circumstance or event which has led or may lead to a Breach, inform the Sellers thereof within a reasonable period after discovery of the Breach and stating, to the extent reasonably possible (i) the facts, circumstances, or events that have led or that may lead to a Breach, and (ii) a reasonable estimate of the Damages suffered or reasonably expected to be suffered. A notification pursuant to this Clause shall in any event be deemed to have been timely submitted if filed within thirty (30) Business Days as from the moment the Purchaser has become aware of the facts and circumstances giving rise to a claim pursuant to a (possible) Breach, whereby failure of the Purchaser to notify the Sellers within the aforementioned time limit, shall only limit or exclude the liability of the Sellers if (and to the extent that) the delay caused irreparable damages to the Sellers or increase of the Damages. Parties expressly exclude applicability of section 7:23 paragraph 2 DCC.

17. CLAIMS

- 17.1 The Purchaser hereby irrevocably and unconditionally waives any and all rights that it, and any other (legal) person pertaining to the Purchaser's Group possibly shall have against any employee, managing director, member of the advisory board (*raad van advies*) or officer of any Group Company in the event of a Claim, except in case of wilful misconduct, intent or fraud. Each such employee, managing director, member of the advisory board or officer shall be a beneficiary of this Clause 17.1 and may rely on and enforce its terms as an irrevocable third party stipulation (*derdenbeding om niet*). This Clause 17.1 shall not limit the Purchaser's ability to hold any of the Sellers liable, in their capacity of Seller, under this Agreement.
- 17.2 If a Claim arises as a result of, or in connection with, a liability or alleged liability to a third party (a **Third Party Claim**), then the Purchaser shall without undue delay notify the Sellers thereof after having become aware thereof and procure that it makes available to the Sellers

such persons and all such information as the Sellers may reasonably require to assess such Third Party Claim and shall consult with the Sellers on the course of action to be taken in respect of the Third Party Claim, provided that the Purchaser will exclusively assume the conduct of any appeal, dispute, compromise or defence of such Third Party Claim.

- 17.3 The Sellers shall be liable for any Damages resulting from a Third Party Claim insofar as the Purchaser has taken all reasonable actions to reduce said Damages.
- 17.4 If the Parties do not agree on the course of action to be taken, the Purchaser shall pursue the conduct of the Third Party Claim in a manner it deems appropriate, using its best efforts to strike a fair balance between the interests of the Sellers in keeping the Third Party Claim as low as possible, and the interests of the Purchaser and the Group to maintain good business relations, to the extent applicable, with the third party concerned.
- 17.5 In conducting the defence against a Third Party Claim, the Purchaser shall:
- (a) keep the Sellers promptly informed of the progress and timeously consult with the Sellers in relation to the defence against the Third Party Claim;
 - (b) provide the Sellers with copies of all relevant documents and such other information in its possession as may reasonably be requested by the Sellers; and
 - (c) not make any admission in respect of such Third Party Claim or compromise, dispose or settle such Third Party Claim without the prior written approval of the Sellers, which approval shall not be unreasonably withheld or delayed and is deemed to be granted and shall in any event be deemed to be given if no response is received within seven (7) Business Days of a request by the Purchaser.

18. LIMITATION OF LIABILITY

- 18.1 The liability of the Sellers in respect of a Breach shall be limited as follows:
- (a) except for the Fundamental Warranties, the Sellers shall not be liable for an individual instance of Breach (or a series of Breaches arising from substantially identical facts or circumstances) where the Damages do not exceed EUR 50,000 (in words: fifty thousand Euros); and
 - (b) except for the Fundamental Warranties, the Purchaser shall not be entitled to recover an accumulation of Damages for individual instances of Breach that individually exceed the limit under (a) above unless the aggregate amount of such Damages in respect of such Breaches exceeds an amount of EUR 200,000 (in words: two hundred thousand Euros) in which case the Seller's liability shall be for the full amount of all such Claims and not for the excess only.
- 18.2 The Sellers shall not be liable for a Breach, unless written notice of the Claim pertaining thereto has been issued to the Sellers by the Purchaser:
- (a) on or before the date that is five (5) years following Completion, if such Breach relates to the Fundamental Warranties;
 - (b) on or before the date that is 6 months after the period set by the relevant statute of limitations in relation to claims under the Tax Covenant;

- (c) in respect of a claim under any specific indemnity as set out in Clause 19, on or before the date that is thirty-six (36) months following Completion;
- (d) in respect of a Claim under any other Sellers' Warranty, on or before the date that is twenty-four (24) months following Completion; and
- (e) in respect of any other claim arising from this Agreement, on or before the date that is twenty-four (24) months following Completion,

provided that, if, prior to the close of business on the last Business Day of the applicable claims period, the Sellers have been notified of a claim for Breach hereunder and such claim has not yet been finally resolved or disposed of at the expiration date of the relevant claims period, such claim shall survive the aforesaid time period and shall remain a basis for compensation of Damages hereunder, until such claim is either finally resolved in or out of court or otherwise disposed of.

- 18.3 The maximum aggregate liability of the Sellers for a Breach shall be limited to an amount equal to EUR 5,885,870.25 (in words: five million eight hundred eighty-five thousand eight hundred seventy Euros and twenty-five cents), except with respect to a Claim under the Fundamental Warranties, a claim under Schedule 11 (*Tax Covenant*), or a claim under a specific indemnity as set out in Clause 19, in which event the Sellers' maximum aggregate liability is capped at the Purchase Price.
- 18.4 The Sellers shall not be liable in relation to a Breach or in respect of any matter giving rise to a Breach, if and to the extent that, at Signing or Completion, as the case may be, the Purchaser or its advisors was or should have been aware of such Breach, because the facts and circumstances giving rise thereto:
 - (a) were Fairly Disclosed in the Disclosed Information and should therefore have been known to the Purchaser or its advisors on the basis of the Disclosed Information; or
 - (b) have been disclosed in, or excepted from, the Sellers' Warranties themselves and/or otherwise in this Agreement and/or in the Schedules hereto.
- 18.5 The Sellers shall not be liable in relation to a Breach or in respect of any matter giving rise to a Breach if and to the extent that:
 - (a) the Damages are actually recovered from a third party or recovered under an insurance policy of any Group Company in force immediately prior to the Signing Date; or
 - (b) such Breach is attributable to change in any law after Completion.
- 18.6 The Sellers are not liable under or otherwise in connection with this Agreement more than once in respect of the same loss.
- 18.7 The limitations on liability of the Sellers set out in the preceding sections of this Clause 18 shall not apply in respect to claims for Damages in connection with, resulting from or attributable to fraud (*bedrog*) or willful misconduct of the Sellers.
- 18.8 In calculating the liability of the Sellers in respect to any Breach (the '**Damages Payment**'), such liability shall be reduced by:



- a. any amount actually recovered from any third parties – including insurers – in respect of such claim or the event or circumstances giving rise to such claim;
- b. the amount of any provision in the relevant Accounts specifically allocated to the event or circumstance giving rise to the claim; and
- c. any amount of Tax reduction, refund or saving actually enjoyed or received by the Purchaser or the Group, related to the event or circumstance giving rise to such claim,

to the extent these reductions are not yet expressed in the amount of Damages Payment.

18.9 If, before the Sellers pay any amount in respect of any Claim under this Agreement, the Purchaser or any Group Company is entitled to recover (whether by payment, discount, credit, relief, insurance or otherwise) from a third party a sum which indemnifies or compensates the Purchaser or the Group Company (in whole or in part) in respect of the loss or liability which is the subject matter of the Claim, the Purchaser shall procure that before steps are taken against the Sellers, all reasonable steps are taken to enforce recovery against the third party and any actual recovery shall reduce or satisfy, as the case may be, such Claim to the extent of such recovery. The Sellers shall, as far as legally and contractually possible, be subrogated to all rights that the Purchaser has or would otherwise have in respect of the claim against the third party.

18.10 If:

- a) any Seller makes a Damages Payment;
- b) any Group Company or the Purchaser thereafter receives any cash sum (or makes any savings or receives any quantifiable financial benefit) which would not have been received but for the circumstances that gave rise to the Claim in respect of which that Damages Payment was made; and
- c) the receipt of that cash sum was not taken into account in calculating the Damages Payment,

the Purchaser shall, promptly on receipt of that cash sum, repay to that Seller an amount equal to that sum, after deducting (in either case) all costs incurred in recovering that sum and any Tax payable by the Purchaser by virtue of its receipt.

19. SPECIFIC INDEMNITIES

19.1 The Sellers hereby irrevocably and unconditionally agree to fully indemnify and hold the Purchaser and any Indemnified Party harmless (*vrijwaren en schadeloosstellen*) from and against any and all liabilities, claims and costs (including Damages) of whatever nature (including without limitation fees of legal and other advisers) incurred or sustained, in connection with or incurred in respect of:

- (a) any amount reclaimed by RVO from the advance payment of EUR 711,928 (in words: seven hundred eleven thousand nine hundred twenty eight Euros), made by RVO to Delphy in relation to the intended settlement of the IKS Issue (the '**RVO Advance Payment**');;

- (b) any amount of damages established by RVO in the "Q1 22 assessment" relating to the IKS Issue in excess of the RVO Advance Payment, not recovered in final settlement between the Group Companies and RVO, regarding the IKS Issue (up to an aggregate amount of EUR 588,072 (in words: five hundred eighty eight thousand seventy two Euros));
 - (c) the data breach of which Delphy has notified the Dutch Data Protection Authority (*Autoriteit Persoonsgegevens*) on 10 January 2020 (as Fairly Disclosed), which could relate to non-compliance with Data Protection Legislation, GDPR laws and regulations, whether international, national or regional (including without limitation any obligations, fines or other liabilities incurred or imposed, whether by the relevant authorities and or third parties); and
 - (d) possible non-adherence to the right of first refusal (of Stichting Dienst Landbouwkundig Onderzoek) that may not have been taken into account when subleasing the location at Bleiswijk (as the Due Diligence Investigation has concluded a fine of EUR 1.000.000 (in words: one million Euros) could be imposed due to non-adherence).
- 19.2 Without prejudice to Clause 18.2(c) and Clause 18.3, no limitations of liability whatsoever (in kind or nature) apply to the indemnifications included in this Clause 19. The Sellers cannot object to the determination of the liability or Damages involved on the basis of (i) any familiarity of Purchaser with the subject of the specific indemnity, (ii) the Due Diligence Investigation, (iii) any knowledge of the Purchaser, its Affiliates, Related Persons and/or its Representatives or advisers.

20. NON-FINANCIAL COVENANTS

- 20.1 The Purchaser covenants with the Sellers that it shall comply with, and shall procure that the Group Companies shall comply with, the non-financial covenants set out below (the '**Non-Financial Covenants**'), for a period of 36 months following Completion:

Strategy

- i. the Purchaser shall endorse and respect the Group's business strategy (the '**Strategy**');
- ii. the Purchaser will support the Strategy by, among other things, delivering knowledge and financial resources that will enable the Group to accelerate the implementation of the Strategy;
- iii. the Purchaser will investigate, together with Sellers, the possibilities for realization of an improvement centre in North America;
- iv. the Purchaser will investigate, together with Sellers, the possibilities for realization of a research location for arable farming and/or open field farming in the Netherlands;

Employees

- v. the Purchaser will respect the existing rights and benefits of the Group's employees, including under their existing individual employment agreements, collective labour agreements, social plans and secondary employment benefits;

- vi. the Purchaser will respect the existing pension rights of the Group's current and former employees;
- vii. the Transaction will not have any material negative effects for employment within the Group;
- viii. an incentive plan allowing selected employees (yet to be determined), to benefit from the value growth of AgriForce and its shares will be implemented by the Purchaser, as per the AgriForce employee stock incentive plan. The Purchaser and the management board of Delphy shall jointly determine in good faith which employees shall be eligible to participate in this incentive plan.

Governance

- ix. the Purchaser will, promptly following Completion, but in any event within six (6) months following Completion, procure that an advisory board (the '**Advisory Board**') at the level of Delphy is established to support, advise and supervise the management of Delphy. The following is taken into account in the composition of the Advisory Board:
 - a) its members should be experienced, complementary in terms of expertise (i.e. digitization) and should have a network and know how to help the Group advance its strategy and operations;
 - b) it should allow the management board of Delphy to act independently within the framework agreed with Purchaser;
 - c) the total number of its members shall be three (3), four (4) or five (5), at Purchaser's discretion;
 - d) where the Advisory Board consists of three (3) or four (4) members, one of its members will be appointed upon nomination of the management board of Delphy. Where the Advisory Board consists of five (5) members, two of its members will be appointed upon nomination of the management board of Delphy;
- x. the powers of the management board of Delphy shall be laid down in management regulations. This will be arranged by Purchaser, after consulting with the management board of Delphy, whereby Purchaser will have final say;

Financing and disposals

- xi. the Purchaser will use its reasonable commercial efforts to ensure that the Group will remain prudently financed to safeguard business continuity and support the success of its Business;
- xii. the Purchaser is committed to the Strategy and will not divest its stake in Delphy, unless the Purchaser cannot be reasonably expected not to divest, as would be the case if more than one Breach is established of a material nature in (joint) excess of EUR 2,000,000 (in words: two million Euros), or there is a threat of insolvency (or related procedure) with regards to the Group Companies or the Purchaser.

20.2 The Sellers shall, promptly following Completion and in consultation with the Purchaser, communicate the Non-Financial Covenants included in Clause 20.1 to the employees of the Group in an internal letter.

20.3 The Sellers and Purchaser shall each use reasonable best efforts to obtain consent from Rabobank to continue its relation with the Group Companies after Completion.

21. PURCHASER'S WARRANTIES

21.1 The Purchaser represents and warrants to the Sellers that each of the statements set out in Schedule 10 (the 'Purchaser's Warranties') is true and accurate on the Signing Date and will be true and accurate on the Completion Date.

21.2 In the event of a breach of any of the warranties referred to in Clause 21.1, the Purchaser shall, subject to the provisions of this Agreement, compensate the Sellers for any damages payable pursuant to article 6:95 and 6:96 DCC to put Sellers in the position in which they would have been in, had the Purchaser's breach not occurred.

22. TAX

The provisions of Schedule 11 (*Tax Covenant*) shall apply in respect of Tax.

23. SECURITY FOR CLAIMS

Set-Off

23.1 Notwithstanding anything to the contrary contained in this Agreement, if, as of the Completion Date, the Purchaser has not been fully paid any amount which the Sellers are obligated to pay to the Purchaser under this Agreement, then the Purchaser shall have the right to set-off such amount from any obligation Purchaser has to (any of) the Sellers.

24. NON-COMPETE AND NON-SOLICITATION

24.1 In order to ensure that the full benefit and goodwill of the business of the Group Companies is given to the Purchaser, the Sellers shall not, and shall procure that none of their Related Persons or Affiliates, shall directly or indirectly, for a period of three years after Completion in any country in which any Group Company conducts business at Completion, either alone or jointly with others:

- (a) on its own behalf or on behalf of another company, in the capacity of employee or adviser, carry on or perform any activities that compete with the Business carried on by a Group Company at Completion;
- (b) other than as a shareholder of the Purchaser, or a shareholder holding no more than 5% of the outstanding issued share capital of a company, participate as a shareholder, or provider of equity or borrowed capital, in any person or organisation that carries on activities that compete with the Business carried on by a Group Company at Completion;
- (c) solicit or entice the custom (in relation to any services or goods supplied by any Group Company or any activity competing or likely to compete with (part of) the Business) of: (i) any person with whom material dealings have been made, or (ii) any

person who was a material customer, supplier or distributor of any Group Company or was approached as a potential material customer, supplier or distributor at any time during a period starting one year prior to the Completion Date;

- (d) persuade, or attempt to persuade, any customer or supplier of the Group Companies to terminate or negatively amend his or her relationship with the Group Companies;
- (e) actively induce or attempt to induce any employee or director of any of the Group Companies to leave the relevant Group Company, with a view to hiring such person;
- (f) use or procure or permit the use of any name or names identical or similar to, or including the words "Delphy" or any distinctive mark, style or logo used by any Group Company in connection with any activity whatsoever; or
- (g) make use of or disclose or divulge to any third party any information of a secret or confidential nature relating to the Business, except when disclosed:
 - (i) with the written approval of the Purchaser;
 - (ii) that has been released pursuant to a legal obligation, of which such disclosure is required by the rules of any regulatory body or any recognised stock exchange, or has been released pursuant to a court judgement that has become final and conclusive or was declared provisionally enforceable (*in kracht van gewijsde gegane dan wel uitvoerbaar bij voorraad verklaarde rechterlijke uitspraak*) or pursuant to an arbitral award that has become irrevocably or was provisionally enforceable; or
 - (iii) to the extent that the information is in or comes into the public domain other than as a result of a breach of any undertaking or duty of confidentiality by the Sellers.

24.2 In the event of a breach of the Sellers of any restriction contained in Clause 24.1 such party shall pay to the Purchaser, the sum of EUR 100,000 (in words: one hundred thousand Euros) for each breach and, in addition, the sum of EUR 1,000 (in words: one thousand Euros) for each day that such party continues to be in breach, without prejudice to any right of the Purchaser to recover damages in excess of the amounts specified in this Clause 24.2. The Parties acknowledge the importance of the obligations in this Clause 24 for the Purchaser, and that such amounts represent a genuine and reasonable estimate of the damage likely to be suffered by any the Purchaser or any Group Company if the Sellers breach any of its obligations under Clause 24.1.

25. CONFIDENTIALITY

25.1 Subject to Clause 25.4, no Party shall make or permit any person connected with it to make any announcement concerning this Transaction or any ancillary matter before, on or after Completion (including any dispute or proceeding relating to this sale and purchase) to any non-Affiliate, without the prior written approval of all other Parties to this Agreement, such approval not to be unreasonably withheld or denied.

- 25.2 The Purchaser shall procure that, for a period of five years after Completion:
- (a) each member of the Purchaser's Group from time to time shall keep confidential to any non-Affiliate all information provided to it by or on behalf of any Seller or otherwise obtained by it under or in connection with this Agreement which relates to any member of the Sellers' Group; and
 - (b) if the Group Companies hold confidential information relating to the Sellers' Group, they shall keep that information confidential and, to the extent reasonably practicable, shall return that information to the relevant Party or destroy it (at its own discretion), in each case without retaining copies.
- 25.3 Each Seller shall procure that, for a period of five years after Completion:
- a) the Sellers' Group from time to time shall keep confidential to any non-Affiliate all information provided to it by or on behalf of the Purchaser or otherwise obtained by it under or in connection with this Agreement, which relates to any member of the Purchaser's Group; and
 - b) if a Seller holds confidential information relating to the Group Companies, it shall keep that information confidential and, to the extent reasonably practicable, shall return that information to the Purchaser or destroy it (at its own discretion), in each case without retaining copies.
- 25.4 Nothing in this Clause 25 prevents any announcement being made or any confidential information being disclosed:
- (a) with the written approval of the other Parties, which in the case of any announcement shall not be unreasonably withheld or delayed; or
 - (b) that has been released pursuant to a legal obligation, of which such disclosure is required by the rules of any regulatory body or any recognised stock exchange, or has been released pursuant to a court judgement that has become final and conclusive or was declared provisionally enforceable (*in kracht van gewijsde gegane dan wel uitvoerbaar bij voorraad verklaarde rechterlijke uitspraak*) or pursuant to an arbitral award that has become irrevocably or was provisionally enforceable;
 - (c) to the extent that the information is in or comes into the public domain other than as a result of a breach of any undertaking or duty of confidentiality by that Party; or
 - (d) to that Party's professional advisers, auditors or bankers, but before any disclosure to any such person the relevant Party shall procure that such person is made aware of the terms of this Clause 25 and shall use its best endeavours to procure that each such person adheres to those terms as if he were bound by the provisions of this Clause 25.
- 26. PENALTY**
- 26.1 In the event of any infringement of the obligations contained in Clause 25, the respective Sellers or the Purchaser, as the case may be, shall, without any prior notice of default or other formality being required, forfeit to the Purchaser or Sellers, as the case may be, or to the Purchasers' discretion, as applicable, to the Group, a directly and immediately due and

payable penalty in the amount of EUR 100,000 (in words: one hundred thousand Euros) for each infringement, as well as a penalty of EUR 1,000 (in words: one thousand Euros) for each day that such infringement continues, without the relevant Party being required to prove any losses or damages and without prejudice to the right of the relevant Party to claim compensation of damages actually incurred.

26.2 Payment of the penalty pursuant to this Clause 26.1 does not relieve a Party from its obligation to comply with the prohibitions set out in Clause 25.

26.3 The amounts of the penalties stipulated in this Clause 26.1 are not subject to mitigation.

27. NOTICES

27.1 Any notice, request, consent, claim, demand or other (formal) communication between the Parties in connection with this Agreement (a 'Notice') shall be made in writing (which includes email) and sent to the address of the Parties and other possible addressees pursuant to this Agreement set out in Schedule 12 (*Addresses of Parties*) or at such address as the recipient of any Notice may have notified to the other Parties from time to time. The Parties explicitly choose domicile at the addresses set out in Schedule 12 (*Addresses of Parties*).

27.2 Carbon copy of any Notice delivered to Purchaser, is to be sent to DVDW Advocaten B.V. c/o mr. van der Sluis and mr. Augustijn, delivered to:

Address:

Weena 690 27th floor, 3012 CN Rotterdam.

E-mail:

vandersluis@dvdw.nl
augustijn@dvdw.nl

27.3 Any notice shall be delivered by hand or courier, by email, or sent by registered post, and shall be deemed to have been received or served:

(a) if delivered in person, at the time of delivery; or

(b) if sent by post:

(i) if the place of destination is the same as its country of origin, at 10.00 a.m. on the second Business Day after it was put into the post; or

(ii) if a destination is elsewhere, at 10.00 a.m. (local time at the place of destination) on the fifth Business Day after it was put into the post by overnight courier; or

(c) if sent by courier services which obtains a receipt to evidence delivery, at the time of delivery; or

- (d) if sent by email, on the date of transmission, if transmitted before 5.00 p.m. (local time at the place of destination) on that Business Day and in any other case on the Business Day following the date of transmission.

27.4 The provisions of this Clause 27 do not apply in relation to the formal service of documents for the purpose of litigation. If a Sellers' address is outside the Netherlands, or in the event that a Seller changes its address to an address outside the Netherlands, the relevant Seller shall also designate an address in the Netherlands where such Seller chooses domicile, and where legal notices can be served.

27.5 All notices, demands, requests, statements, certificates and other (formal) documents and communications related to this Agreement shall be in English.

28. FURTHER ASSURANCES

28.1 Each Party shall, at its own cost and expense, execute and do (or procure to be executed and done by any other necessary party) all such deeds, documents, acts and things as the other Party may from time to time require in order give full effect to this Agreement.

29. ASSIGNMENTS

29.1 No Party may assign or allow for any Encumbrance on any of its rights or transfer any of its obligations under this Agreement or any interest therein (*goederenrechtelijk onoverdraagbaar en niet te bezwaren*) in accordance with section 3:83(2) of the DCC, save for written agreement between the Parties, making the respective right transferable and/or suitable for Encumbrance.

29.2 Notwithstanding Clause 29.1, each Seller may transfer its AgriForce Shares, including its entitlement to such AgriForce Shares in accordance with Clause 6 to its direct or indirect shareholder(s) or to its beneficial owner(s) to the extent applicable, if and in so far such transfer is in accordance with the relevant securities regulations.

30. PAYMENTS

30.1 Save as otherwise specifically set out in this Agreement, if a Party defaults in the payment when due of any sum payable under this Agreement, it shall pay statutory interest (*wettelijke rente*) at the then applicable rate on that sum from the date on which payment is due until the date of actual payment (before as well as after judgement), which interests shall accrue from day to day and be compounded monthly. The statutory interest shall, to the extent possible, be treated as an adjustment of the Purchase Price equal to such amount, and be treated accordingly by the Parties in all relevant respects (including for Dutch Tax purposes).

30.2 Unless otherwise expressly stated, all payments to be made under this Agreement shall be made as follows:

- (a) to the Sellers at those bank accounts as specified in Schedule 4 (*Bank Accounts of the Sellers*), or other such bank accounts as the Sellers may specify;
- (b) to the Purchaser:
- | | |
|-----------------|---------------------------|
| bank: | The Toronto-Dominion Bank |
| SWIFT: | TDOMCATTTOR |
| account number: | 9400-7360826 |

(c) or such other account as the Purchaser may specify; and

(d) to the **Notary Account**:

bank: Coöperatieve Rabobank U.A.
IBAN: NL41RABO0326691243
account name: RoX Legal B.V.
BIC (Swift) code: RABONL2U

31. COSTS

31.1 To the extent not otherwise specifically agreed in this Agreement, or as otherwise specifically agreed in writing by the Parties after the Signing Date, each Party shall bear its own cost and expenses, including the fees and expenses of its legal and other professional advisers, incurred in connection with this Agreement, including the preparation, negotiation and signing thereof, as well as implementation of the Transaction.

32. GENERAL

32.1 The obligations of each of the Sellers under this Agreement, including the Tax Covenant and the Tax Warranties, are several and not joint obligations, and the Sellers shall be responsible in respect thereof in the percentages set opposite their names in column "Entitlement to Purchase Price" of Schedule 2 (*Shares per Seller*), unless a Seller is individually liable to the Purchaser under the obligations of this Agreement, for a specific act or event. The limitations on liability included in this Clause 32.1 shall not apply in respect of an individual Seller in the event of fraud (*bedrog*) or willful misconduct (*opzet*) of such Seller.

32.2 This Agreement may be entered into in any number of counterparts and by each of the Parties on separate counterparts, but shall not be effective until each Party has executed at least one counterpart. Each counterpart, when executed, shall constitute an original but all the counterparts shall together constitute one and the same instrument.

32.3 If, at any time, one or more provisions to this Agreement are held to be (wholly or partially) void (*nietig*) or (wholly or partially) voidable (*vernietigbaar*) and consequently (wholly or partially) invalid and unenforceable under applicable law, such invalid and unenforceable provisions shall be deemed to have been replaced by a provision which as closely as possible corresponds with the contents of the unenforceable provisions and which meets the original intention of the Parties when concluding this Agreement, and their mutual understandings in respect of such a provision. The remaining provisions of this Agreement remain fully effective. The Parties undertake to replace the relevant provision with a new provision that is not void or voidable and which meets the original intention of the Parties when concluding this Agreement, and their mutual understandings in respect of such provision.

32.4 The rights of each Party under this Agreement (i) may be exercised as often as necessary, (ii) are, unless this Agreement provides otherwise, cumulative and not exclusive of rights and remedies provided by law, and (iii) may be waived only in writing and specifically. Delay in exercising or non-exercise of any such right is not a waiver of that right. No single or partial exercise of a right under this Agreement by a Party shall preclude any other or further exercise of such right or other rights.



- 32.5 The Sellers acknowledge and agree that the Purchaser's Lawyers may advise and act on behalf of the Purchaser with respect to this Agreement, and any agreements or any disputes related to or resulting from this Agreement.

33. NO THIRD PARTY BENEFICIARIES

- 33.1 This Agreement is concluded for the benefit of the Parties and their respective successors and permitted assignees, and nothing herein is intended to, nor shall implicitly confer upon, any other person any legal or equitable right, benefit or remedy of any nature whatsoever, except to the extent explicitly stated otherwise in this Agreement. In the event this Agreement is deemed to contain third party stipulations, and such stipulation has been accepted by a third party, that third party can and shall not become a party to this Agreement.

34. NO RESCISSION

- 34.1 To the extent permitted by law, following and subject to Completion, the Parties waive their rights, if any, (i) under sections 6:265 to 6:272 of the DCC to rescind (*ontbinden*) this Agreement, to (in whole or in part) demand the rescission (*ontbinding*) of this Agreement in legal proceedings or to (in whole or in part) nullify (*vernietigen*) it and (ii) to invoke section 6:228 of the DCC in the sense that an error (*dwalen*) shall remain for the risk and account of the Party in error as referred to in section 6:228, subsection 2 and section 6:230 of the DCC.
- 34.2 Notwithstanding the terms and conditions agreed in this Agreement, the Parties hereby irrevocably and unconditionally waive the applicability of section 6:89 DCC and Title 1 Book 7 of the DCC.

35. ENTIRE AGREEMENT

- 35.1 This Agreement, (i) constitutes the entire agreement between the Parties with respect to the subject matters of this Agreement; and (ii) replaces all prior agreements, arrangements, understandings and statements with respect to the subject matter of this Agreement, including the Letter of Intent.
- 35.2 If and to the extent the laws of any jurisdiction provide more protection to the Parties in addition to the provisions in this Agreement, the relevant Parties hereby exclude or (if incapable of exclusion) irrevocably waive (*afstand van recht*) the right to invoke this additional protection, and the other Parties hereby accept such a waiver.
- 35.3 Amendments to this Agreement are only possible and effective to the extent that all Parties have agreed thereto in writing.

36. PURCHASE PRICE ADJUSTMENTS

- 36.1 Where necessary, but limited to those payments that bear no separate payment obligation, any payment that is made under this Agreement shall, to the extent possible, be treated as an adjustment of the Purchase Price equal to such amount, and be treated accordingly by the Parties in all relevant respects (including for Dutch Tax purposes).
- 36.2 All payments made by a Party to another Party under this Agreement shall be made free from any Tax Deduction. If a Party is required by applicable law to make a Tax Deduction from any payment to the other Party, the amount of the payment shall be increased to the extent

necessary to ensure that, after the making of any such Tax Deduction, the receiving Party receives the full amount, which would have been received, but for such Tax Deduction.

37. GOVERNING LAW AND DISPUTE RESOLUTION

- 37.1 This Agreement and any contractual or non-contractual obligations arising out of or in connection to it, is governed exclusively by and shall be construed in accordance with the laws of the Netherlands.
- 37.2 Except for the arrangements between Parties as set out in Schedule 8 (*Leakage*) that are subject to the findings of the Independent Expert, and any and all matters relating to the AgriForce Shares that fall under the supervision of the SEC, and/or under the Securities Act, all disputes arising out of or in connection with this Agreement, including regarding the existence or validity of this Agreement or any agreement resulting from this Agreement shall be submitted to the competent court of Rotterdam, the Netherlands.

38. SELLERS' REPRESENTATIVE

- 38.1 Subject to Clause 38.4, each Seller hereby irrevocably appoints Jacco van der Wekken Holding B.V. as its representative and attorney-in-fact to act on behalf of the Sellers for the purposes set out in this Agreement (the '**Sellers' Representative**') and Arnoud & Anja Beheer B.V. as attorney-in-fact to act on behalf of the Sellers solely for the purposes set out in Clause 38.3 (the '**Confirming Sellers' Representative**') and Jacco van der Wekken Holding B.V. and Arnoud & Anja Beheer B.V. hereby irrevocably accept such appointments. All decisions, actions, consents and instructions taken by the Sellers' Representative in accordance with this Agreement shall be binding upon all of the Sellers, and no Seller shall have the right to object to, dissent from, protest or otherwise contest any such decision, action, consent or instruction. Each of the Sellers declares that this appointment also applies to situations where an attorney-in-fact also acts as its counterparty or as representative of its counterparty within the meaning of article 3:68 of the DCC.
- 38.2 All notices required to be made or delivered by the Purchaser to the Sellers or any member of a Sellers' Group may be made to the Sellers' Representative for the benefit of each of the Sellers and shall discharge in full all notice requirements of the Purchaser to the Sellers or any member of a Sellers' Group with respect thereto. The Purchaser may rely on the authority of any Sellers' Representative to bind all Sellers.
- 38.3 The Sellers' Representative and the Confirming Sellers' Representative shall have such powers and authority as are necessary to carry out the functions assigned to it under this Agreement. The Sellers' Representative and the Confirming Sellers' Representative jointly shall have full power, authority and discretion to (i) execute on behalf of any Seller any deed, agreement or document in connection with this Agreement; (ii) enforce the rights of the Sellers under this Agreement; and (iii) take or refrain from taking any further actions, agreements or deeds to be taken by or on behalf of the Sellers in connection with this Agreement that the Sellers' Representative and the Confirming Sellers' Representative deems necessary or appropriate in their sole discretion relating to this Agreement as fully and completely as such Sellers could do if personally present.
- 38.4 If for any reason Jacco van der Wekken Holding B.V. or Arnoud & Anja Beheer B.V. shall not be able to act as the Sellers' Representative or the Confirming Sellers' Representative, as the case may be, and the Sellers nominate in writing another person or persons to fill the role of the Sellers' Representative or Confirming Sellers' Representative hereunder, such other

person or persons as shall be so notified in writing to the Purchaser by the Sellers shall be the Sellers' Representative or Confirming Sellers' Representative in substitution for Jacco van der Wekken Holding B.V. or Arnoud & Anja Beheer B.V., as the case may be, from time to time.

- 38.5 The Sellers' Representative and the Confirming Sellers' Representative shall act for the Sellers on all the matters set forth in this Agreement in the manner the Sellers' Representative believes to be in the best interest of the Sellers and consistent with the obligations of the Sellers under this Agreement.

39. LANGUAGE

- 39.1 The language of this Agreement and the transactions envisaged by it is English and all notices, demands, requests, statements, certificates or other documents or communications shall be in English unless otherwise agreed.

(Signature page to follow)

32


SIGNATORIES

This Agreement has been signed by the Parties (or their duly authorised representatives) on the date stated at the beginning of this Agreement.

AgriForce Growing Systems Ltd.


Jacco van der Wekken Holding B.V.

By: 

By: C.J. van der Wekken 

Arnoud & Anja Beheer B.V.

René van Tol Beheer B.V.

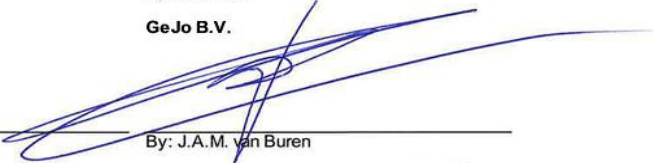
By: A.C. van Boven 

By: R. van Tol 

Cor van Oers Beheer B.V.

GeJo B.V.

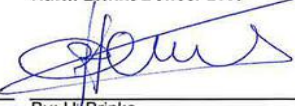
By: C.A.F. van Oers 

By: J.A.M. van Buren 

Ad van Laarhoven Beheer B.V.

Harm Brinks Beheer B.V.

By: A.J.M. van Laarhoven 

By: H. Brinks 

Roelof Naber Beheer B.V.

Stekidotema Beheer B.V.

By: R. Naber 

By: L.A. van den Berg 

C.A. Bal

C. Oele

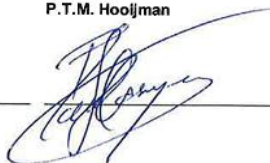
_____ 



A.F.V. Braam

A stylized handwritten signature in blue ink, consisting of a large, rounded 'B' followed by a horizontal line.

P.T.M. Hooijman

A complex handwritten signature in blue ink, featuring multiple loops and a long, sweeping horizontal line at the end.

2024-01-01
10:00
10:00

SIGNATORIES

This Agreement has been signed by the Parties (or their duly authorised representatives) on the date stated at the beginning of this Agreement.

AgriForce Growing Systems Ltd.

Jacco van der Wekken Holding B.V.

By: _____

Arnoud & Anja Beheer B.V.

By: C.J. van der Wekken

René van Tol Beheer B.V.

By: A.C. van Boven

Cor van Oers Beheer B.V.

By: R. van Tol

GeJo B.V.

By: C.A.F. van Oers

Ad van Laarhoven Beheer B.V.

By: J.A.M. van Buren

Harm Brinks Beheer B.V.

By: A.J.M. van Laarhoven

Roelof Naber Beheer B.V.

By: H. Brinks

Stekidotema Beheer B.V.

By: R. Naber

C.A. Bal

By: L.A. van den Berg

C. Oele





SCHEDULE 1

DEFINITIONS AND INTERPRETATION

In this Agreement:

Accounts means the consolidated annual accounts (*geconsoliseerde jaarrekening*) of Delphy as at and for the twelve (12) month period ended on the Accounts Date;

Accounts Date means 31 December 2020;

Actual Tax Liability means: (i) a liability of any Group Company to make or suffer an actual or increased payment of Tax or in respect of Tax; or (ii) any liability of any member of the Purchaser's Group, any Group Company which arises as a result of a failure by any member of the Seller's Group to discharge Tax for which it is primarily liable;

Additional Leakage has the meaning given thereto in Schedule 8 (*Leakage*);

Additional Leakage Notice has the meaning given thereto in Schedule 8 (*Leakage*);

Administration means any and all of the administrative accounts kept by the Group Companies in accordance with their obligations under art. 2:10 DCC;

Affiliate means in relation to any person or entity, any direct or indirect subsidiary or direct or indirect holding company of that person or entity and any other direct or indirect subsidiary of such holding company;

Affiliated Persons means and any natural person related to the person (including but not limited to spouses, children, partners and/or other family in the first degree);

Agreement means this share purchase agreement, including the preamble, considerations and any Schedules hereto, and any future amendments hereof;

AgriForce has the same meaning as Purchaser;

AgriForce Shares has the meaning given thereto in Clause 4.1(c);

Anti-Corruption Law means all applicable Legal Requirements relating to bribery or corruption (governmental or commercial), including but not limited to any Legal Requirements that prohibit the corrupt payment offer, promise, or authorisation of the payment or transfer of anything of value (including gifts or entertainment), directly or indirectly, to any government official, commercial entity, or any other person to: (i) obtain a (business) advantage; or (ii) improperly influence them or reward them for improper performance of a duty, including but not limited to (a) the U.S. Foreign Corrupt Practices Act of 1977, as amended, (b) the UK Bribery Act of 2010 and (c) all national and international laws enacted to implement the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions;

Anti-Money Laundering Law means all applicable Legal Requirements relating to money laundering or the proceeds of criminal activity including but not limited to (i) European Union Money Laundering Directives and member states' implement legislation and (ii) the UK Proceeds Crime Act 2002;

Benefit Schemes means any and all schemes, arrangements, agreements or policies in relation to any pension or other benefit given or to be given on or following leaving employment, retirement (including early retirement), death, ill-health, injury or disablement or in anticipation thereof in respect of any employee or former employee of the Group Companies, this includes but is not limited to the pension schemes administered by ABP and Rabobank, more specifically Rabo Bedrijven Pensioen and the pension scheme of Stichting Pensioenfonds ABP;

Breach has the meaning given to it in Clause 15.1;

Business has the meaning given to it in Recital (C);

Business Day means a day (other than a Saturday or Sunday) on which banks are generally open in the Netherlands for normal business;

Cash Completion Amount has the meaning given thereto in Clause 4.2;

Claim means a claim by the Purchaser for any Breach;

Clause means each and every clause of this Agreement;

Companies means Delphy and any and all subsidiaries of Delphy;

Completion means completion of the sale and purchase and transfer of the Shares in accordance with this Agreement;

Completion Actions has the meaning given thereto in Clause 12.3;

Completion Date has the meaning given to it in Clause 12.1;

Condition has the meaning given thereto in Clause 9.1;

Confidential Information means (i) any and all information, data and/or documents used by the Group within the ordinary course of business, or otherwise related to the activities, customers, the Business, the employees or financial or other matters related to the Group, including but not limited to (a) the marketing of services, including but not limited to names, lists and other data relating to clients, financial information, targets, statistics, prices, costs, market study reports and overviews, advertising and other promotional materials; and/or (b) future projects, development and planning of business activities, business relations and negotiations; (ii) the Parties and their Affiliates as well as their respective business dealing; and (iii) this Agreement and the negotiations conducting towards execution of this Agreement;

Confirming Sellers' Representative has the meaning given thereto in Clause 38.1;

COVID-19 means the COVID-19 epidemic and any evolutions or mutations thereof;

Damages has the meaning given thereto in Clause 15.1;

Data Protection Laws means all applicable laws and regulations relating to processing of personal data and privacy, including the General Data Protection Regulation (GDPR);

Data Room means the virtual data room operated by Virtual Vaults in relation to the Transaction, a copy of the contents of such Data Room shall be delivered on the date hereof by the Sellers to the Purchaser on a suitable electronic storage device;

DCC means the Dutch Civil Code (*Burgerlijk Wetboek*);

Deed of Transfer has the meaning given thereto in Clause 2.2;

Deemed Tax Liability means:

- (a) the loss, non-availability, or a reduction in the amount, of any Relief, in which case the amount of the Deemed Tax Liability shall be the amount of Tax paid by any Group Company which would not have been paid but for such loss, non-availability or reduction;
- (b) the use or setting off of a Relief in respect of a period starting on or after the Effective Date, in which case the amount of the Deemed Tax Liability shall be equal to the amount which would have been payable under the Tax Indemnity in the absence of such use or setting off;

Delphy has the meaning given thereto in recital (A);

Disclosed Information means; (i) all information and/or data regarding the Group Companies, the Shares and the Business that have been made available by or on behalf of the Sellers to the Purchaser prior to Completion, to the extent the information and/or data is electronically stored in the Data Room data carrier delivered by the Sellers to the Purchaser ultimately on the Completion Date and enclosed herewith; (ii) the information in this Agreement; (iii) the written answers provided to questions submitted by or on behalf of the Purchaser during the Due Diligence Investigation, to the extent stored on the aforementioned certified Data Room data carrier; and (iv) all other information available at public registers in the Netherlands (i.e. land/property registers, intellectual property registers and commercial registers);

Dispute Notice has the meaning given to it in Schedule 8 (*Leakage*);

Due Diligence Investigation has the meaning given thereto in Recital (E);

Economic Sanctions Law means economic or financial sanctions, restrictive measures, trade embargoes or export control Legal Requirements imposed, administered or enforced from time to time by any Governmental Authority, including the U.S. Office of Foreign Assets Control (OFAC);

Effective Date has the meaning given thereto in Clause 3;

Encumbrance means any: security right (*zekerheidsrecht*) or other limited right (*beperkt recht*); attachment (*beslag*); qualitative obligation; retention of title, right of retention; personal right of enjoyment or use; licence; royalty obligations; beneficial ownership rights; option; right of first option; right of first refusal or any other restriction of any kind on use, voting, transfer, receipt of income or exercise of any other attribute of ownership, whether following from public or private law and any rights to acquire any of the above;

Employment Laws means any and all international, European Union or national laws, common laws, statutes, directives, bye-laws, orders, regulations or other subordinate legislation, notices, codes of practice, guidance notes, judgements or decrees, relating to or connected with; (i) the employment of

employees and/or their health and safety at work; or (ii) the use of or engagement of temporary workers, agency workers or other individual workers where the relationship is not one of employment or their health and safety at work; or (iii) the relations between the Group and any trade union, staff association, works council, information and consultation forum or other body representing employees or workers;

Escrow Account has the meaning given thereto in the Escrow Agreement;

Escrow Amount has the meaning given thereto in Clause 7.1;

Escrow Agent has the definition given thereto in the Escrow Agreement;

Escrow Agreement has the meaning given thereto in Clause 7.2;

EUR or Euros means the currency of the Agreement, Euro's;

Fairly Disclosed means fairly disclosed in the Data Room or the Disclosed Information in sufficient detail and in such a manner to allow the Purchaser, assuming assistance of professional advisors within the relevant areas of expertise, to identify and assess the fact, matter or circumstance, and the substance and scope of the fact, matter or circumstance concerned;

Fundamental Warranties means the Sellers' Warranties included in Paragraphs 1 up to and including 4 of Schedule 9 (*Sellers' Warranties*);

Governmental Authority means any: (i) nation, country, city, town, village, district, or other jurisdiction of any nature; (ii) federal, state, local, municipal, foreign, or other government; (iii) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal); (iv) multinational organisation or body; or (v) body exercising, or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or other power of any nature;

Group has the meaning given thereto in Recital (B);

Group Companies has the meaning given thereto in Recital (B);

IKS Issue means the ongoing dispute between RVO and the Group Companies relating to application of the IKS by the Group Companies;

Indemnified Party has the meaning given to it in Clause 15.1;

Independent Expert means such firm of chartered accountants as may be appointed under Schedule 7 (*Independent Expert*);

Insurance Policies has the meaning given to in Paragraph 12.1 of Schedule 9 (*Sellers' Warranties*);

Intellectual Property Rights means all intellectual property rights, including registered trademarks, service marks, unregistered and registered design rights applications for and the right to apply for any such rights, domain names, know-how, unregistered trademarks, trade and business names, copyrights, databases, and rights in databases, broadcast rights, film rights and all other similar proprietary rights together with all renewals, extensions and revivals thereof whether registered, registrable or otherwise;



Interim Period means the period of time as from the Effective Date up to and including the Completion Date;

IT Systems means all systems, networks, hardware, computers, software, (including source code and object code), firmware, middleware, routers, hubs, servers, databases, websites and all other information technology and information technology equipment and all documentation associated with any of the foregoing operated by the Group Companies;

Leakage has the meaning given thereto in Schedule 8 (*Leakage*);

Leakage Amount has the meaning given thereto in Schedule 8 (*Leakage*);

Leakage Notice has the meaning given thereto in Schedule 8 (*Leakage*);

Leakage Tax Benefit has the meaning given thereto in Clause 8.2;

Leased Properties has the meaning given to in Paragraph 17.1 of Schedule 9 (*Sellers' Warranties*);

Legal Requirement means any requirement, order, constitution, law, ordinance, regulation, statute, or treaty of a Governmental Authority;

Letter of Intent has the meaning given to it in recital (D);

Long Stop Date has the meaning given to it in Clause 9.5;

Material Adverse Change means any fact, circumstance, event, change, effect or occurrence (each an **Effect**) that, individually or in the aggregate, has, results in or could reasonably be expected to have or result in a material adverse effect on the Business, assets, results of operations or prospects of the Group Companies taken as a whole, provided, however, that for the purposes of determining whether there has been, or will be, a Material Adverse Change the following Effects will not be taken into account:

- (a) changes in general economic conditions in the Netherlands or any other country or region in the world, or changes in conditions in the global economy generally (except to the extent that such Effect has had a disproportionate adverse effect on Delphy relative to other companies operating in the industries in which Delphy and its Subsidiaries conduct business, in which case only the incremental disproportionate adverse impact may be taken into account in determining whether there has occurred a Material Adverse Effect);
- (b) changes in prevailing interest rates, currency exchange rates or other economic, political, monetary or market conditions, including any adverse development regarding the European Union and the Euro zone, except to the extent that the Group, taken as a whole, is materially disproportionately affected thereby as compared to similarly situated companies in the industries in which the Group primarily operates (in which case the incremental material disproportionate impact may be taken into account to the extent not otherwise excluded);
- (c) any natural disaster, pandemic (including COVID-19), the outbreak or escalation of war/hostilities, sabotage, act of terrorism, armed hostility, military action or act of God, or any escalation or worsening thereof;

- (d) any failure, in and of itself, by Delphy or the Group to meet any internal or published projections, targets, forecasts, or revenue or earnings predictions (provided, however, that this paragraph (e) does not exclude the consideration of the underlying cause(s) for such failure);
- (e) any Effect resulting from any act or omission of the Purchaser, whether before or after the Signing Date, including any action taken by any member of the Group with the Purchaser's written consent or at Purchaser's direction (or not taken where the Purchaser withheld its consent) or compliance by the Group with the terms of, or the taking of any action required by, this Agreement;
- (f) any Effect resulting from the entry into, execution or performance of this Agreement (including the taking of any action required hereby or the failure to take any action prohibited hereby) of the Agreement;
- (g) a breach of the Agreement or any applicable law by the Purchaser;
- (h) changes in regulatory, legislative or political conditions in the Netherlands or any other country or region in the world; or
- (i) any litigation having been commenced in relation to the Transaction;

Net Present Value means the net present value using a discount factor of 2 percent (2%) of the aggregate nominal amount of the potential future savings or reductions multiplied by the statutory rate reasonably expected to be applicable for the relevant years and for the calculation of the net present value it shall be assumed that the relevant saving or reduction is used in priority to any other Relief and that there is at all times sufficient taxable income to effectuate the saving or reduction at the earliest possible date;

Nominee has the meaning given to it in Schedule 7 (*Independent Expert*);

Non-Financial Covenants has the meaning given to it in Clause 20.1;

Notary means a Dutch civil law notary (notaris) of RoX Legal B.V.;

Notary Account means the third party account (*kwaliteitsrekening*) of the Notary held at Coöperatieve Rabobank U.A., with IBAN NL41RABO0326691243 and SWIFT RAVONL2U;

Notary Letter has the meaning given to it in Clause 4.4;

Notice has the meaning given thereto in Clause 27.1;

NOW Subsidies means any and all subsidy given out by the Dutch government (or otherwise), relating to the current COVID-19 pandemic;

Participations has the meaning given thereto in Recital (B);

Party means each and any of the Sellers, and the Purchaser;

Permitted Leakage has the meaning given thereto in Schedule 8 (*Leakage*);

Properties means any buildings or parts of buildings, land and any right, privilege or benefit in, over or derived from buildings or land, to which any of the Group Companies or Subsidiaries is entitled;

Purchaser has the meaning given to it in the introduction of this Agreement;

Purchase Price has the meaning given thereto in Clause 4.1;

Purchaser's Group means the Purchaser and any and all of its Affiliates at any time, but excluding the Group Companies;

Purchaser's Lawyers means the attorneys-at-law at DVDW Advocaten B.V.;

Purchaser's Warranties has the meaning given thereto in Clause 21.1;

Regulation S means Regulation S as promulgated under the U.S. Securities Act of 1933, as amended;

Related Persons means any Affiliate and any other person forming part of the group (within the meaning of section 2:24c DCC) of which the legal entity concerned forms part;

Relief means any loss, relief, allowance, exemption, set off, deduction, right to repayment, credit or other relief of a similar nature granted by or available in relation to Tax under any applicable Law;

Repayment Amount has the meaning given thereto in Clause 5.2;

Representatives means any and all persons authorised to represent the entity concerned, whether or not the authority is subject to limitations, as well as any of the professional advisors or other representatives (however named) of such entity;

RVO means the Netherlands Enterprise Agency (*Rijksdienst voor Ondernemend Nederland*);

RVO Advance Payment has the meaning given thereto in Clause 19.1(a);

Schedule means each and every schedule to this Agreement;

SEC means the U.S. Securities and Exchange Commission;

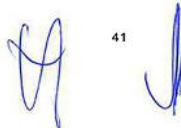
Secondary Tax Liability means any Tax for which any Group Company is or will be liable or is or will be held liable, that would not have arisen but for the relationship between any Group Company and any person other than a member of the Purchaser's Group before Completion, including but not limited to any secondary liability pursuant to sections 34, 35, 39 and 43 of the Dutch Tax Collection Act 1990 (*Invorderingswet 1990*) or section 12a of the Wage Tax Act 1964 (*Wet op de Loonbelasting 1964*) and any Tax for which any person other than a member of the Purchaser's Group is liable, that on the basis of section 24 of the Tax Collection Act 1990 (*Invorderingswet 1990*) is offset against a receivable in respect of Tax of any Group Company on the Dutch Tax authorities;

Securities Act has the meaning given to it in Clause 6.1;

Seller has the meaning given to it in the introduction of this Agreement;

Sellers' Group means the Sellers and in relation to the Sellers, any and all of its Affiliates;

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Sellers' Warranties means the representations and warranties listed in Schedule 9 (*Sellers' Warranties*);

Shares has the meaning given to it in Recital (A);

Signing Date means the date on which this Agreement shall be signed, being 10 February 2022;

Straddle Period shall mean any Tax Period beginning on or before, and ending after, the Completion Date;

Subsidiaries has the meaning given to it in Recital (B);

Subsidiary Shares means the issued and outstanding share capital of each of the respective Subsidiaries as set out in Recital (B);

Tax or **Taxation** means any and all forms of taxation (whether direct or indirect), social security charges, customs, duties, imposts, withholdings and other levies of whatever nature, including, but not limited to, any form of income tax, corporate income tax, trade tax, capital tax, wage tax, real property tax, transfer tax, registration tax, VAT, consumption tax, stamp duty, national social security contributions and employee social security contributions, customs and excise duties, environmental taxes and duties, dividend withholding tax and any liability for repayment of state aid in relation to tax, including in each case any interest, penalties, surcharges, fines or other additions thereto separately or jointly due, payable, levied, imposed upon or claimed to be owned in any relevant jurisdiction, whether directly payable to any relevant Tax Authority or payable pursuant to any relevant Tax sharing arrangement or agreement (including Tax unity obligations, Tax sharing agreements) or Tax indemnity arrangement or agreement;

Tax Audit means any audit, investigation, visit, inspection, assessment, discovery, access order or other proceedings by any Tax Authority with respect to any Tax matter of any Group Company that (i) relates to a period before or up to and including the Completion Date or (ii) may result in a Tax Indemnity Claim;

Tax Authority means any local or national authority in any jurisdiction having the power to impose or collect Tax;

Tax Covenant means Schedule 11 (*Tax Covenant*);

Tax Deduction means any deduction or withholding in respect of Tax;

Tax Event means any act, transaction or omission relevant for Tax purposes, and any reference to an event occurring on or before a particular date shall include events which for Tax purposes are deemed to have, or are treated or regarded as having, occurred on or before that date;

Tax Indemnity has the meaning given to it in Paragraph 1 of Schedule 11 (*Tax Covenant*);

Tax Indemnity Claim means any claim under the Tax Indemnity;

Tax Liability means an Actual Tax Liability, a Deemed Tax Liability or a Secondary Tax Liability, or any other liability resulting from Sellers obligations under the Tax Indemnity and Tax Warranties including: (i) any and all reasonable out-of-pocket expenses incurred by the Purchaser or the relevant Group Company; and (ii) any out-of-pocket expenses incurred by the Purchaser following prior



agreement with the Sellers, in each case to the extent those costs are incurred in connection with any action taken in resisting or settling any such liability;

Tax Period means any period prescribed by any Tax Authority for which a Tax Return is required to be filed or a Tax is required to be paid;

Tax Return means any return (including any information return), report, statement, schedule, notice, form, declaration, claim for refund, or other document or information filed with or submitted to, or required to be filed with or submitted to, any Tax Authority or other Governmental Authority in connection with the determination, assessment, collection, or payment of any Tax or in connection with the administration, implementation, or enforcement of or compliance with any Legal Requirement relating to any Tax in relation to the period up to and including the Completion Date;

Tax Warranties means the representations and warranties listed in Paragraph 2 of Schedule 11 (*Tax Covenant*);

Tax Warranties Claim means any claim under the Tax Warranties;

Third Party Claim has the meaning given to it in Clause 17.2;

Trade Register means the trade register (*handelsregister*) of the Dutch Chamber of Commerce (*Kamer van Koophandel*);

Transaction has the meaning given thereto in Recital (D);

Transfer has the meaning given thereto in Clause 2.3;

Transfer Agent means VStock Transfer LLC;

U.S. person has the meaning as defined in Rule 902(k) of Regulation S;

VAT means the turnover tax (*omzetbelasting*) as meant in the Turnover Tax Act 1968 (*Wet op de omzetbelasting 1968*) and the Council Directive 2006/112/EC against the rate applicable at the moment turnover tax becomes due;

1. Interpretation

1.1 No provision of this Agreement shall be interpreted against a Party solely because that Party was responsible for the drafting of that particular provision.

1.2 In this Agreement:

- (a) the singular includes the plural and vice versa, and each gender includes the other genders;
- (b) the words 'as of' shall be deemed to include the day or moment in time specified thereafter;
- (c) a 'third party' means any person or entity other than the Sellers, the Purchaser or the companies within the Group;
- (d) reference to 'writing' shall be to letters and facsimiles only;



- (e) the words 'include', 'including' and 'includes' shall be deemed to be followed by the words 'without limitation';
 - (f) references to any time of the day are to CET time;
 - (g) the headings used are included for reference purposes only and shall not affect the interpretation of this Agreement;
 - (h) references to legislation are references to legislation as applicable at the time this Agreement was concluded;
 - (i) references to Clauses, Schedules or Annexes are, unless otherwise indicated, references to clauses, schedules or annexes of or to this Agreement;
 - (j) a reference to a person includes any individual, corporation, legal person, company, firm, joint stock company, trust, unincorporated organization, government, state or agency of a state or any joint venture, association, partnership or other entity (whether or not having separate legal personality);
 - (k) references to books and records are to the books and records (*administratie*) stored in any form.
- 1.3 Except as expressly otherwise provided in this Agreement, all periods of time set out in this Agreement shall start on the day following the day on which the event triggering the relevant period of time occurred. The expiration date shall be included in the period of time. If the expiration date is not a Business Day, the expiration date shall be the next Business Day. Where in this Agreement a Dutch term is given in italics or in italics and in brackets after an English term and there is any inconsistency between the Dutch and the English, the meaning of the Dutch term shall prevail.
- 1.4 The preamble, recitals, Schedules or Annexes to this Agreement form an integral part of this Agreement, shall have the same force and effect as any other provisions of this Agreement and shall be construed and interpreted accordingly, including applicability of definitions, which shall have the same meaning as attributed to them in Schedule 1 (*Definitions and Interpretation*) if and when used in the preamble, recitals or any Schedule.
- 1.5 Any statement in this Agreement which refers to the knowledge, information, belief or awareness of a Seller – including the expressions 'to the Sellers' best knowledge' and 'known to the Sellers' – or any similar expression, shall be deemed to comprise such knowledge, information, belief or awareness that a Seller has or should have had on the Signing Date.
- 1.6 Where any obligation in this Agreement requires the use of 'reasonable endeavors', 'best efforts', 'reasonable best efforts' or wording of a similar nature, the requirement could be defined as performing in such a way as a person desirous of achieving a result would reasonably do in similar circumstances to try to ensure that such result is achieved as expeditiously as possible. Assessment of the satisfaction of this requirement shall take into consideration, among other factors, (i) the price, financial interest and other terms of the obligation, (ii) the degree of risk normally involved in achieving the expected result, and (iii) the ability of an unrelated person to influence the performance of the obligation.
- 1.7 Save as explicitly otherwise provided in this Agreement, an action taken or transaction entered into by a company (including in particular the Sellers and the Group) shall be deemed




to have been taken or entered into in the 'ordinary course of business' only if such action or transaction falls within the scope of (operational) activities of such company as previously carried out, but excluding actions or transactions which are unrelated to the (operational) activities of that company as previously carried out.

- 1.8 This Agreement is drafted in the English language. Dutch terms and legal concepts are expressed in English terms and not in their original Dutch terms and concepts. English references to any Dutch legal term shall in respect of any jurisdiction other than the Netherlands, be construed and interpreted in that certain jurisdiction as a reference to the term or concept which most closely corresponds to the Dutch concept. This Agreement should be read and interpreted accordingly.
- 1.9 Reference to any Dutch legal term or concept shall, in any jurisdiction other than the Netherlands, be construed as a reference to the term or concept which most closely corresponds to it in that jurisdiction. English terms to which another language translation has been added in italics shall be interpreted in accordance with such other language translation, disregarding the English term to which such other language translation relates.



SCHEDULE 2
SHARES PER SELLER

Name Seller	Amount of Shares owned	Share numbers (as per the shareholders' register)	Entitlement to Purchase Price	Entitlement to AgriForce Shares
Jacco van der Wekken Holding B.V.	2,611	10,487 up to and including 10,520; 12,153 up to and including 12,265; 15,537 up to and including 18,000.	16.96%	16.96%
Arnoud & Anja Beheer B.V.	1,611	12,266 up to and including 13,876.	10.47%	10.47%
René van Tol Beheer B.V.	1,439	5,510 up to and including 6,948.	9.35%	9.35%
Cor van Oers Beheer B.V.	1,683	1,332 up to and including 2,866; 10,521 up to and including 10,688.	10.94%	10.94%
GeJo B.V.	1,664	7,427 up to and including 9,018; 15,454 up to and including 15,525.	10.81%	10.81%
Ad van Laarhoven Beheer B.V.	1,775	3,708 up to and including 5,392; 9,436; 10,669 up to and including 10,718; 12,125 up to and including 12,152; 15,526 up to and including 15,536.	11.53%	11.53%



Harm Brinks Beheer B.V.	742	10,905 up to and including 11,646.	4.82%	4.82%
Roelof Naber Beheer B.V.	1,094	1 up to and including 1,094.	7.11%	7.11%
Stekidotema Beheer B.V.	1,001	2,867 up to and including 2,901; 5,413; 5,414; 6,949 up to and including 6,977; 9,437; 11,647; 11,648; 11,809 up to and including 12,124; 13,877 up to and including 14,460; 14,737 up to and including 14,768.	6.50%	6.50%
C. Oele	685	14,769 up to and including 15,453.	4.45%	4.45%
A.F.V. Braam	474	5415; 7,114 up to and including 7,426; 9,179 up to and including 9,338.	3.08%	3.08%
P.T.M. Hooijman	433	6,978 up to and including 7,070; 10,423 up to and including 10,486; 14,461 up to and including 14,736.	2.81%	2.81%
C.A. Bal	180	1,095 up to and including 1,131; 5,416 up to and including 5,509; 7,071 up to and including 7,113;	1.17%	1.17%

		9,019 up to and including 9,024.		
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SCHEDULE 3
THE GROUP COMPANIES

1. Corporate information of the Group Companies and Participations

Delphy is the full legal and beneficial owner of and holds all (100%) issued and outstanding shares in the capital of:

Aegisto B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, with registered office (*statutaire zetel*) in Meterik, the Netherlands, and its offices at Agro Business Park 5, 6708 PV Wageningen, the Netherlands, registered at the Trade Register under number 14121191.

Delphy B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, with registered office (*statutaire zetel*) in Wageningen, the Netherlands, and its offices at Agro Business Park 5, 6708 PV Wageningen, the Netherlands, registered at the Trade Register under number 09131958.

Delphy Projects B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, with registered office (*statutaire zetel*) in Wageningen, the Netherlands, and its offices at Agro Business Park 65, 6708 PV Wageningen, the Netherlands, registered at the Trade Register under number 12043713.

GreenQ Group B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, with registered office (*statutaire zetel*) in Bleiswijk, the Netherlands, and its offices at Violierenweg 3, 2663 MV Bleiswijk, the Netherlands, registered at the Trade Register under number 27277591.

Improvement Centre B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, with registered office (*statutaire zetel*) in Bleiswijk, the Netherlands, and its offices at Violierenweg 3, 2665 MV Bleiswijk, the Netherlands, registered at the Trade Register under number 27277600.

Delphy (Shanghai) Agriculture Technology Co., Ltd., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of China, with registered office (*statutaire zetel*) in Shanghai, and its offices at Room 324, 3/F, Building 2, No.239 Gang'ao Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, registered at the Trade Register of Pudong under number 239.

Delphy Rwanda Ltd., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of Rwanda, with registered office (*statutaire zetel*) in Musanze, Rwanda, and its offices at KG 175 St plot no109, Remera Sector, Gasabo District, Kigali-City, Kenya, registered at the Trade Register under number 110913380.



Furthermore, Delphy holds a certain percentage of the issued and outstanding shares in the capital of (the percentage of held shares included for each company);

49,99 % in

Delphy CVBA, a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of Belgium, with registered office (*statutaire zetel*) in Beringen, Belgium, and its offices at Koolmijnlaan 201, 3582 Beringen, Belgium, registered at the Trade Register under number 0884.288.028.

50 % in

Delphy Japan Co., Ltd., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of Japan, with registered office (*statutaire zetel*) in Shimotsuke, Japan and its offices at 262-10 Shiba, Shimotsuke, Tochigi, Japan, registered at the Trade Register of Shimotsuke under number 80600 0102 5909.

85 % in

Delphy Poland Sp. z o.o., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of Poland, with registered office (*statutaire zetel*) in Warszawa, and its offices at Ul Zamiany 8 /LU2, 02-786, Warszawa, Poland, registered at the Trade Register under number 0000508861.

35.2% in

Delphy UK Ltd., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of United Kingdom, with registered office (*statutaire zetel*) in Chiltern Chambers, St Peters, Avenue, Caversham, Reading, Berks, RG4 7DH, United Kingdom, and its offices at Rodlands, Halse, Taunton, Somerset, TA4 3AQ, United Kingdom, registered at the Trade Register under number 06380850.

30 % in

HAS Hortiadviser A/S, a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of Denmark, with registered office (*statutaire zetel*) in Odense, Denmark, and its offices at Hvidkærvej 29, Højme, 5250 Odense SV, Denmark, registered at the Trade Register under number 32305164.

13 % in

Latia Agribusiness Solutions Ltd., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of Kenya, with registered office (*statutaire zetel*) in Kajiado, Kenya, and its offices at Off Pipeline Road, Isinya, P.O. Box 211-00110, Kajiado, Kenya, registered under number PVT-AAACX18.

41 % in

Xplant.nl B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, with registered office (*statutaire zetel*) in Zwaagdijk-Oost, the Netherlands, and its offices at Bollenmarkt 7M, 1681 PJ Zwaagdijk-Oost, the Netherlands, registered at the Trade Register under number 60633247.



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SCHEDULE 4

BANK ACCOUNTS OF THE SELLERS

C. A. Bal

Bank: Coöperatieve Rabobank U.A.
IBAN: NL31RABO0320534154

Jacco van der Wekken Holding B.V.

Bank: Coöperatieve Rabobank U.A.
IBAN: NL35RABO011879252

Arnoud & Anja Beheer B.V.

Bank: Coöperatieve Rabobank U.A.
IBAN: NL98RABO0111782740

René van Tol Beheer B.V.

Bank: Coöperatieve Rabobank U.A.
IBAN: NL39RABO0114467889

Cor van Oers Beheer B.V.

Bank: Coöperatieve Rabobank U.A.
IBAN: NL92RABO0122566823

GeJo Beheer B.V.

Bank: ABN AMRO Bank N.V.
IBAN: NL77ABNA0603909825

Ad van Laarhoven Beheer B.V.

Bank: Coöperatieve Rabobank U.A.
IBAN: NL06RABO0129758884

Harm Brinks Beheer B.V.

Bank: Coöperatieve Rabobank U.A.
IBAN: NL59RABO0108778770

Roelof Naber Beheer B.V.

Bank: ING Bank N.V.
IBAN: NL58INGB0678192227

Stekidotema Beheer B.V.

Bank: Coöperatieve Rabobank U.A.
IBAN: NL63RABO0340400536

P. Hooijman

Bank: Coöperatieve Rabobank U.A.
IBAN: NL20RABO015552775

C. Oele

Bank: ING Bank N.V.
IBAN: NL02INGB0000339969

A.F.V. Braam

Bank: Coöperatieve Rabobank U.A.
IBAN: NL25RABO0303128097

SCHEDULE 5
DISCLOSED INFORMATION
[to be attached separately]

SCHEDULE 6

COMPLETION

Prior to, or at Completion:

1. the Sellers' Representative will confirm to the Purchaser that the shareholders' agreement of Delphy has been terminated in accordance with the provisions thereto;
2. the Sellers shall hand over the original shareholders' register of Delphy to the Notary;
3. the Sellers shall provide the Purchaser with written evidence that all requisite corporate and other action necessary for it to enter into this Agreement and to perform its obligations pursuant to or in relation to this Agreement and all related documents have been duly taken; and
4. the Purchaser shall provide the Sellers' Representative with written evidence that: (i) all requisite corporate and other action necessary for it to enter into this Agreement and to perform its obligations pursuant to or in relation to this Agreement and all related documents have been duly taken; and (ii) the person(s) that will be signing this Agreement on behalf of the Purchaser is/are duly authorised to represent the Purchaser and to enter into this Agreement in its name.
5. the Sellers shall provide evidence to the Purchaser providing that the shares of Stichting Participatie DLV Plant Groep have been transferred to Delphy, and have been retracted in accordance with the relevant articles of association and legal requirements and that the Shares as mentioned in this Agreement amount to 100% of the issued shares of Delphy.
6. Independent valuation will have taken place of the Properties.

After confirmation by the Notary that the Cash Completion Amount has been received in the Notary Account:

1. the Parties shall sign and execute the Notary Letter;
2. the Parties shall sign and execute the Escrow Agreement;
3. the Purchaser shall issue the AgriForce Shares, and provide proof thereof; and
4. the Parties shall execute the Deed of Transfer and Delphy will acknowledge the transfer of the Shares by executing the Deed of Transfer.

Upon execution of the Deed of Transfer:

1. the Purchaser is discharged in respect of the payment of the Cash Completion Amount and its obligation to issue the AgriForce Shares;
2. the Notary will (subject to conducting customary solvency checks) hold the Cash Completion Amount for the benefit of the Sellers and the Notary shall pay out the Cash Completion Amount *minus* the Escrow Amount in accordance with the Notary Letter;
3. the Notary shall pay out the Escrow Amount in accordance with the Escrow Agreement;

4. the Purchaser shall procure that the Notary shall update the original shareholders' register of Delphy in order to reflect the changes pursuant to the Transaction, as well as to procure that any necessary amendments are registered at the relevant trade registers; and
5. the Purchaser and Sellers shall issue a joint press release.

On the Completion Date the Parties shall further take such actions as are required to be taken by this Agreement in order to effect the Completion and shall render all reasonably required cooperation to procure that the transfer of the Shares is effected within due time, including *inter alia* the granting of powers of attorney to the other Parties, the Companies or the Notary to sign and execute any and all documents, deeds, resolutions and other instruments possibly required to effect the Transfer.

SCHEDULE 7

INDEPENDENT EXPERT

1. Independent Expert

- 1.1 Any disputes relating to the Additional Leakage is to be referred, in accordance with Schedule 8 (*Leakage*) to an Independent Expert:
- (a) either party shall be entitled to nominate one of the big four accounting firms to be the Independent Expert (the **Nominee**);
 - (b) if the other party agrees to such Nominee, such Nominee shall be the Independent Expert; and
 - (c) if the parties do not agree to the Nominee within five Business Days of nomination, either party shall be entitled to request the President of the Dutch Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants (NBA)*) or its successor organisation to nominate one of the big four accounting firms to be the Independent Expert and the parties shall appoint such person as the Independent Expert.

2. Procedures

2.1 The Independent Expert shall act on the following basis:

- (a) the Independent Expert shall determine the dispute by means of expert determination, shall not act as an arbitrator and shall not decide on legal issues;
- (b) the item or items in dispute shall be notified to the Independent Expert in writing, with a copy to the other party, by the Sellers or the Purchaser within 20 Business Days following the appointment of the Independent Expert;
- (c) the terms of reference shall be to determine the item or items in dispute and therefore the calculation the Additional Leakage, in accordance with the provisions of this Agreement;
- (d) the Independent Expert shall be entitled to determine the procedure applicable to its determination;
- (e) the procedure will be conducted in the English language;
- (f) the Independent Expert shall render its decision without undue delay;
- (g) the Sellers and the Purchaser shall each provide (and, to the extent they are reasonably able to, shall procure that their respective accountants provide) the Independent Expert promptly with all information and assistance which the latter reasonably requires and the Independent Expert shall be entitled (to the extent they consider it appropriate) to base its opinion on such information; and
- (h) the Independent Expert shall decide upon the allocation of its costs and expenses between the Sellers and the Purchaser based on the proportion that the respective Party does not prevail with its position.

SCHEDULE 8

LEAKAGE

1 Leakage Amount

- 1.1 In accordance with Clause 4 of this Agreement, the Purchase Price shall be reduced by an amount equal to the sum of the following items (each of which shall constitute "Leakage"), to the extent that such items occurred during the period from and including the Effective Date up to Completion, but excluding any of these items that are Permitted Leakage contemplated in Paragraph 3 of this Schedule 8:
- (i) the amount of any and all dividends or other distributions, whether by way of share redemption, share capital reduction or otherwise, and any other payment in respect of any share capital, loan capital, bonds or other securities of the Company, in each case whether in cash, stock or in kind, paid or made by Delphy to any member of the Sellers' Group;
 - (ii) an amount equal to any and all payments (including any payment of interest or fees) made and the value of any assets transferred by Delphy directly or indirectly in favor of or to any member of Sellers' Group, other than on arm's length terms;
 - (iii) an amount equal to the amount of any indebtedness of any kind that is incurred by or repaid by Delphy to (or for the benefit of) any other member of the Seller's Group other than as a direct obligation under their respective employment agreements (where applicable);
 - (iv) an amount equal to the amount of any indebtedness or liabilities of any kind owed by any member of the Sellers' Group, other than in respect of any indebtedness or liabilities in respect of which Delphy is the principal debtor, which is assumed by or indemnified (to the extent such indemnity results in any obligation to pay) to Delphy;
 - (v) an amount equal to all other fees, costs and expenses (including the fees, costs and expenses of lawyers, accountants, brokers, finders, financial and other advisers) incurred or reimbursed by, or charged to the Company related to the Transaction, except for the salary costs of any personnel of Delphy;
 - (vi) an amount equal to any advisory or similar fees paid or payable to any member of the Seller's Group by the Group Companies outside the ordinary course of business (and for the avoidance of doubt, not related to the Transaction);
 - (vii) an amount equal to any payment gratuity, commission, rebate, discount or bonus (in cash or in kind) paid or payable to any director, officer, employee or consultant of any member of the Sellers' Group or the Company incurred or reimbursed by, or charged to, Delphy, outside the ordinary course of business including but not limited to any payment gratuity, commission, rebate, discount or bonus (in cash or in kind) as an incentive to complete, or triggered by, the Transaction;

(viii) any Tax in respect of any of the matters referred to in this Paragraph 1.1; and

(ix) any agreement as to any of the matters referred to in this Paragraphs 1.1, but only to the extent it results in an actual payment by the Group Companies;

the aggregate of the items in Paragraphs 1 of this Schedule 8 (*Leakage*) being referred to as the "**Leakage Amount**".

2 Leakage Notice

2.1 The Sellers shall deliver a Notice to the Purchaser setting out the Leakage Amount together with sufficient detail as to enable the Purchaser to assess the amount and basis for the amount no later than ten (10) Business Days prior to when Completion is envisaged to take place. The Leakage Notice shall be binding for the purposes of Completion and shall only be subject to challenges through the Additional Leakage Notice, in accordance with Paragraph 4.1 below.

3 Permitted Leakage

3.1 The Parties agree and acknowledge that the Company shall be entitled to do or have done any of the following payments or commitments, which have been factored in the Base Purchase Price, without it having any further effect on the Base Purchase Price or the Purchase Price ("**Permitted Leakage**");

(i) payment of salaries and remuneration costs to the managers pursuant to the terms of its employment agreement as in force at the Effective Date in the ordinary course of business and consistent with past practice;

(ii) as an exception to Paragraph 1 of this Schedule 8, a dividend, limited to € 400.000,- since 31 December 2020 (according to the annual report 2020), as paid to the current shareholders.

(iii) anything undertaken at the request, or with prior written consent, of the Purchaser;

(iv) an amount equal to any break fees or prepayment fees or expenses incurred by the Company in connection with pre- or repayment of any debt or release of any security over any assets of the Group Companies, that have been incurred within the ordinary course of business;

4 Additional Leakage

4.1 If and to the extent that the Purchaser, within six (6) months after Completion, identifies that (i) there has been any Leakage and no adjustment to the Purchase Price was made in respect of such Leakage in accordance with Clause 4, or such Leakage was not otherwise reimbursed to or on behalf of the Company by the Seller or a member of the Sellers' Group or (ii) one or more amounts have been identified as Permitted Leakage,

but should not be considered Permitted Leakage in accordance with the terms of this Agreement, and as such have been excluded from the Leakage Amount for the purposes of the payments at Completion (i) and (ii) together referred to as "**Additional Leakage**"), then the following shall apply:

- (i) the Purchaser shall be entitled to deliver a Notice to the Seller setting out the amount of Additional Leakage, together with sufficient detail as to enable the Sellers to assess the amount and basis for the amount (the "**Additional Leakage Notice**");
 - (ii) within twenty (20) Business Days of receipt of the Additional Leakage Notice, the Sellers shall be entitled to deliver a Notice to the Purchaser disputing the Additional Leakage (the "**Dispute Notice**") and the Sellers and the Purchaser shall negotiate in good faith to agree the amount of Additional Leakage. If no Dispute Notice is delivered within such period then the Sellers shall be deemed to have accepted the Additional Leakage Notice and Paragraph 4.2 shall apply. If the Sellers and the Purchaser do not agree on the Additional Leakage within twenty (20) Business Days of delivery of the Dispute Notice, the Additional Leakage shall be determined by the Independent Expert as set out in Schedule 7 (*Independent Expert*).
- 4.2** The Sellers shall procure that any amount of Additional Leakage agreed or determined in accordance with this Paragraph 4.1 is paid to the Purchaser within fifteen (15) Business Days of agreement or determination in accordance with Paragraph 4.1 free and clear from all deductions or withholdings whatsoever, except as required by Law or as provided for in this Agreement.

5 Liability

- 5.1** It is expressly understood that liability for Leakage and Additional Leakage shall be borne by the Sellers by way of reduction in Purchase Price.

SCHEDULE 9

SELLERS' WARRANTIES

1. Authority and Capacity

- 1.1 The Sellers have been duly incorporated and validly exists under the laws of its jurisdiction and has the necessary corporate capacity, power and authority to enter into this Agreement and to perform its obligations under this Agreement.
- 1.2 All corporate and other action required to be taken by the Sellers (where applicable) to authorise the execution of this Agreement and the performance of its obligations under this Agreement has been duly taken or will have been duly taken by Completion.
- 1.3 This Agreement has been duly executed on behalf of the Sellers and constitutes legal, valid and binding obligations on the Sellers, enforceable in accordance with its terms.
- 1.4 The execution by the Sellers of this Agreement and of each other document related hereto to which it is or will be a party and the performance of the obligations of the Sellers under it and each of them do not and will not conflict with or constitute a default under any provision of (i) the constitutional and corporate documents of the Sellers or any Group Company, or (ii) any Legal Requirement, lien, lease, judgement, award, injunction, decree, or any other restriction of any kind or character by which the Sellers or any Group Company is bound, or result in the creation or imposition of any Encumbrance on any of the Shares and the Subsidiary Shares or any of the property or assets of any Group Company.
- 1.5 All authorisations, approvals, consents or permits from, and announcements, consultations, notices, reports, registrations or filings with, any Governmental Authority or other authority that are necessary to enable the Sellers or any Group Company to execute and perform its obligations under this Agreement and each other document related hereto to which it is or will be a party have been obtained or made (as the case may be) and are in full force and effect and all conditions of each such authorisation have been complied with.

2. Corporate Organisation

- 2.1 Each of the Group Companies has been duly incorporated under the laws of its jurisdiction and has been validly existing since its incorporation and has the required power and authority to own its assets and to carry on its Business as presently conducted.
- 2.2 The articles of association and any other corporate or constitutional documents of each of the Group Companies, as currently in force, have been Fairly Disclosed. No decision has been taken to amend the articles of association or any other corporate or constitutional documents of any of the Group Companies and no resolution has been adopted by the general meeting of shareholders of any Group Company to amend any of the foregoing.
- 2.3 The articles of association of the Group Companies Fairly Disclosed, constitute the complete text of the current articles of association of the Group Companies. The Group Companies comply with all statutory requirements for private limited liability companies under applicable laws and pursuant to their articles of association and they have not received any notification with respect to non-compliance.

- 2.4 Each of the Group Companies is duly registered with the Trade Register in the Netherlands or an equivalent body in a jurisdiction other than the Netherlands. The extracts of the Trade Register in the Netherlands or equivalent documents in a jurisdiction other than the Netherlands have been Fairly Disclosed and are true, accurate and complete.
- 2.5 All resolutions, annual returns and other documents required to be delivered to any relevant company registry or other corporate authority in any jurisdiction have been correctly and properly prepared and filed in accordance with applicable legal requirements and are true, complete and accurate.
- 2.6 The shareholders' register of each Group Company, or equivalent documents in a jurisdiction other than the Netherlands, has been Fairly Disclosed and has been properly kept in accordance with applicable law.
- 2.7 Copies of all of the constitutional and corporate documents of each Group Company have been Fairly Disclosed and are true, accurate and complete.
- 2.8 No Group Company, other than in respect of another Group Company or any Participation:
- (i) holds or beneficially owns nor has it agreed to acquire any securities of any other legal entity or corporation,
 - (ii) directly or indirectly, have an interest or participation in any partnership, joint venture, undertaking or legal person nor own any shares in the capital of, or have any other beneficial interest in, any company or business organisation,
 - (iii) control or take part in the management of (including as a shadow director) any other company or business organisation,
 - (iv) has any liability as a former member, officer or shadow director of any corporate body, partnership or unincorporated association, nor are there to the Sellers best knowledge, any circumstances in which such liability is likely to arise,
 - (v) is, nor has agreed to become, a member of any, partnership or joint venture (other than recognised trade associations),
 - (vi) has any branch, agency or any permanent establishment outside its country of incorporation,
 - (vii) has issued any profit sharing bonds or otherwise attributed rights to third parties to share in past, present or future income or profits, reserves or liquidation surpluses.

3. Insolvency

- 3.1 None of the Group Companies have been declared bankrupt (*failliet verklaard*) or been granted a temporary or definitive suspension of payments (*surséance van betaling*) or any equivalent in a jurisdiction other than the Netherlands nor has to the Sellers' best knowledge any person applied for a declaration of bankruptcy of any of the Group Companies or any equivalent in a jurisdiction other than the Netherlands. There has been no proposal made or resolution adopted by a corporate body of any Group Company for the winding-up, dissolution or liquidation (*ontbinding*) of such Group Company or any equivalent in a jurisdiction other

than the Netherlands nor do any circumstances exist which may result in dissolution or liquidation.

- 3.2 No order has been made, petition presented or resolution passed for the winding-up of the Group Companies or for the appointment of a provisional liquidator to the Group Companies by or on behalf of the Group Companies.
- 3.3 To the Sellers' best knowledge, no notice or intention to appoint an administrator or notice of appointment of administrator in respect to the Group Companies has been filed at court by any third party and no administration order has been made and no application for an administration order has been filed at court in respect of the Group Companies by any third party.
- 3.4 No receiver, manager or administrative receiver has been appointed over the whole part or part of any of the Group Companies' business or assets.
- 3.5 No voluntary arrangement or compromise or other similar arrangement with creditors have been proposed, approved or sanctioned by the Group Companies.
- 3.6 The Group Companies are not unable to pay their debts as they fall due and they have not stopped paying their debts as they fall due.

4. Shares and Subsidiary Shares

- 4.1 The Shares and the Subsidiary Shares constitute the whole of the issued and outstanding share capital of the Group Companies unless set out otherwise in Schedule 3 (*The Group Companies*). All information set out in Schedule 3 (*The Group Companies*) is true, accurate and complete.
- 4.2 The Shares and the Subsidiary Shares have been validly issued and fully paid up and no obligations exist for anyone to make further contributions to the Shares or the Subsidiary Shares.
- 4.3 The Sellers are the direct or indirect sole owners of the Shares and the Subsidiary Shares and have full legal and beneficial title to the Shares and indirectly, through the Shares, to the Subsidiary Shares, free and clear of any Encumbrances, other restrictions or other third party rights and full power and authority to transfer the full and unrestricted ownership of the Shares and indirectly, through transfer of the Shares, the Subsidiary Shares to the Purchaser.
- 4.4 Delphy directly or indirectly controls all the Subsidiaries and the Business of the Group Companies is not restricted on account of any third party holding shares in any Subsidiary or by virtue of any shareholder agreements with any third party.
- 4.5 No person is entitled, or to the Sellers' best knowledge has claimed to be entitled to, require any Group Company to issue or transfer any share in the share capital of any Group Company either now or at any future date and whether contingently or not. No Group Company is, or shall as a result of the Transaction be, under any obligation to transfer or offer any Shares or Subsidiary Shares to any party other than a Group Company or the Purchaser.
- 4.6 Within the three (3) year period prior to the Completion Date, all resolutions of the general meeting of shareholders of the Group Companies have been duly recorded in writing and there are no resolutions of the general meeting that have not yet been implemented.

- 4.7 All dividends or other distributions declared, or due in respect of the Shares, have been paid in full and no further claims in this respect exist.
- 4.8 No option rights, conversion rights, profit sharing rights or other (pre-emptive) rights for the acquisition of issued or not yet issued shares of the Group Companies exist and there is, except for the Purchaser, no person that has or shall acquire any limited right (*beperkt recht*) with respect to the Shares.
- 4.9 No depositary receipts (*certificaten van aandelen*) or equivalent instruments in a jurisdiction other than the Netherlands have been issued in respect of the Shares and the Subsidiary Shares.
- 4.10 No voting rights regarding the Shares or Subsidiary Shares, have been granted to any person whether by power of attorney, voting agreement or otherwise.
- 4.11 No provisions exist in any shareholders' agreement, both concerning Delphy and its Subsidiaries, that might affect the Transaction, and/or if these provisions do exist, they have been met and no claim may arise from said agreements relating to the Transaction.
- 4.12 All decisions made by the shareholders' meeting of Delphy, including but not limited to any decisions surrounding NOW Subsidiaries, have been made in accordance with the relevant regulations.
- 5. Accounts**
- 5.1 The Accounts;
- (a) have been prepared (i) on the basis of the books and records of the relevant Group Company and (ii) in accordance with applicable laws, regulations, statutory requirements, accounting practices and principles generally accepted in the applicable jurisdiction, (iii) on a basis consistent with the policies and principles applied by the Group Companies over the previous three financial years;
 - (b) show a true and fair view (*getrouw beeld*) of the financial position, assets, liabilities and profit or loss of the Group Companies in respect of the periods in respect of which they were prepared;
 - (c) have been audited by a certified auditor (*registeraccountant*) who has rendered an auditors' report (*controleverklaring van de registeraccountant*) without qualification, which report has not been changed, declared invalid or withdrawn;
 - (d) have been duly filed or an exemption from filing has been obtained in accordance with applicable statutory requirements.
- 5.2 As at the Completion Date, none of the Group Companies have any off-balance sheet liabilities, commitment, contingencies, restricted assets, other than as have been Fairly Disclosed.
- 5.3 To the Sellers' best knowledge, there are no circumstances which indicate that the total amounts that are owed to the Group Companies at the date of this Agreement and which are not fully written off or provided for in the Accounts may prove to be irrecoverable in whole or

in part. The Group Companies do not have any litigation, potential litigation or disagreement with their debtors, other than those that have been Fairly Disclosed.

- 5.4 During the last twelve (12) month period prior to the Signing Date, the Group Companies have not received notice from any of their trade debtors that such trade debtors have been declared insolvent or have become the subject of insolvency or reorganisation proceedings or have been granted a provisional or final suspension of payments.
- 5.5 During the last twelve (12) month period prior to the Signing Date, none of the Group Companies have subordinated, discounted, factored or sold (or in any such case agreed to do so) any of its debts or other receivables.
- 5.6 None of the Group Companies are a party to or liable (including contingently) under any guarantee, indemnity, suretyship, letter of set off or other similar commitment and there is not outstanding any such guarantee, indemnity, suretyship, letter of set off or other similar commitment given by or for the benefit of any of the Group Companies.
- 5.7 The Group Companies do not have any liabilities or other obligations of any nature, whether disputed, payable, conditional or otherwise, outside the ordinary course of business, that have not been Fairly Disclosed.
- 5.8 There are no Encumbrances, nor has any Group Company agreed to create any Encumbrances, over any part of its relevant undertaking or assets, other than those Encumbrances Fairly Disclosed.
- 5.9 The Administration and all other material records of the Group Companies (as well as records which the Group Companies may be obliged to produce under any contract now in force), comply with Legal Requirements, the applicable accounting principles and the articles of association of the relevant Group Company.

6. Events since the Effective Date

- 6.1 Since the Effective Date:
 - (a) the Group Companies have conducted their Business in the ordinary course consistent with past practice;
 - (b) there has been no material change in the accounting practice, practices or Tax policies employed by the Group Companies in recognising revenue;
 - (c) the Group Companies have not, other than in the ordinary course of business, disposed of, or agreed to dispose of, an asset for an amount which is lower than arm's length value, or assumed or incurred, or agreed to assume or incur, a material liability, obligation or expense (actual or contingent); and
 - (d) the Group Companies have not acquired or agreed to acquire an asset for an amount which is higher than the arm's length value,

7. Assets

- 7.1 The assets owned by or available to each Group Company comprise all the assets necessary for the continuation of the Business as carried on at the date of this Agreement.

- 7.2 All assets owned or used by the Group Companies which are subject to a requirement of licensing or registration of ownership, possession or use are duly licensed or registered in the sole name of the Group Company.
- 7.3 All assets used or held by each Group Company in connection with its Business are legally and beneficially owned by the relevant Group Company, used exclusively by the relevant Group Company or by the Group Companies generally and (where capable of possession) in the exclusive possession or under the direct control of a Group Company.
- 7.4 Copies of any hiring or leasing agreement, hire purchase agreement, credit or conditional sale agreement, agreement for payment on deferred terms or any other similar agreement, to which the Group Companies are a party, have been Fairly Disclosed;
- 7.5 Except to the extent to which appropriate provisions or reserves (reserve) have been made in the Accounts, to the Sellers' best knowledge all book debts owed to the Group Companies, whether included in the Accounts or arising since the Effective Date, will be duly paid in full in accordance with the relevant Group Company's invoice terms and none of such debts has been factored, sold or agreed to be sold by the relevant Group Company.
- 7.6 No distress attachment, execution attachment or other attachment has been levied on an asset of the Group Companies.
- 8. Financial matters**
- 8.1 Details of all bank accounts maintained or used by the Group Companies (including the name and address of the bank with which the account is kept and the number and nature of the account) are Fairly Disclosed.
- 8.2 In relation to Encumbrances over assets of the Group Companies (if any) and in relation to all overdraft, loans and other financial and leasing facilities available to the Group Companies;
- (i) material details thereof and true and complete copies of all relevant documents are Fairly Disclosed;
 - (ii) there has been no contravention of, or non-compliance with, their terms and conditions;
 - (iii) no step to enforce any Encumbrance or repayment of any facility has been formally taken or threatened;
 - (iv) there has been no alteration in their terms and conditions and they are all in full force and effect; and
 - (v) none depends on the guarantee or indemnity of, or on any security provided by, a third party, other than another Group Company, or any of the Sellers.
- 8.3 No event has occurred, or is alleged to have occurred, which is (or with the passage of time and/or the giving of any notice, certificate, declaration or demand, would become) an event of default under, or a breach of any of the material terms of any loan capital, borrowing, debenture or financial facility of any Group Company or which would entitle any third party to call for repayment before normal maturity.

- 8.4 Having regard to their existing banking and other facilities, the Group Companies have sufficient working capital for the purpose of continuing to carry on the Business in its present form and at its present level of turnover for the foreseeable future and for the purpose of executing, carrying out and fulfilling in accordance with their terms all contractual obligations undertaken by them.
- 8.5 There is no grant or subsidy or other financial assistance received or receivable by the Group Companies from any governmental, quasi-governmental or other authority or body, other than as Fairly Disclosed. No act or omission by the Group Companies or by any of the Sellers (including entering into or performing any obligation under this Agreement), has resulted or could result in all or part of any such assistance becoming repayable early or being forfeited or withheld. Any government subsidies related to COVID-19 (including NOW Subsidies), that have become or will become repayable have been repaid.
- 8.6 No formal threat of litigation for repayment of monies has been received by the Group Companies from any third party, nor has any demand been served on the Group Companies by any of their creditors.
- 8.7 No formal claims resulting from the (recent) liquidation of a number of Delphy subsidiaries exist, and to the Sellers' best knowledge no such claim shall arise.
- 9. Customers and Suppliers**
- 9.1 All material customer and supplier agreements entered into by any Group Company have been Fairly Disclosed and there are no verbal contracts, agreements or arrangement with such material customers or suppliers.
- 9.2 To the Sellers' best knowledge:
- a) no material supplier of any Group Company has ceased or will cease supplying to the Group Company or has reduced or will reduce its supplies to it; and
 - b) no material customer of any Group Company has reduced or will reduce its custom or services with or supplies to it,
- after Completion or as a result of the Transaction.
- 9.3 None of the Group Companies are, and to the Sellers' best knowledge, no other party is, in breach of any customer or supplier agreement or arrangement to which any Group Company is a party and to the Sellers' best knowledge there are no matters or circumstances which might give rise to a breach of such agreement or arrangement by any party to it.
- 9.4 None of the Group Companies is subject to minimum purchase obligations under any of the supplier agreements.
- 9.5 No discount, penalty or price reduction has occurred relating to insufficient performance resulting in unsatisfactory service levels by any of the Group Companies during the past three years.
- 9.6 As per the Completion Date, no Group Company conducts any business in Iran, having duly ended any and all agreements to such effect, and procured that all obligations under those

agreements have been met in full by the respective Group Company, and the respective creditors.

10. Contracts and Agreements

- 10.1 None of the Group Companies is a party to any agreement that was not concluded in the ordinary course of business of the Group Company in question and no Group Company is a party to any agreement or arrangement which restricts its freedom to carry on the whole or any material part of its Business in any part of the world.
- 10.2 An executed copy of all written agreements to which any Group Company is a party and all documents of title relating to each of the assets owned or used by the Group Companies are in the possession of or under the control of the Group Companies. All such agreements and documents are complete, valid, binding on each of the parties to it and, subject to being declared insolvent or have become the subject of insolvency or reorganisation proceedings or have been granted a provisional or final suspension of payments, enforceable in accordance with their terms.
- 10.3 None of the Group Companies are, and to the Sellers' best knowledge, no other party is, in breach of any agreement or arrangement to which any Group Company is a party and to the Sellers' best knowledge there are no matters or circumstances which might give rise to a breach of such material agreement or arrangement by any party to it.
- 10.4 The execution and the performance of this Agreement will not breach any material agreement to which any of the Group Companies is a party, nor will it entitle any other party to terminate any such material agreement.
- 10.5 No notice of termination, rescission (*ontbinding*), nullification (*vernietiging*) or invalidation has been received by any Group Company, or given by any Group Company, in respect of any material contract to which such Group Company is a party.
- 10.6 The Group Companies are not a party to:
- (i) any contract, covenant, commitment or arrangement:
 - (a) made otherwise than in the ordinary and usual course of the business of the Group Companies as now carried on;
 - (b) that is not at arm's length terms;
 - (ii) any partnership or joint venture, other than as have been Fairly Disclosed;
- 10.7 Neither any of the Sellers nor any of the Group Companies has received any material complaint, relating to any services provided by a Group Company in the 3 years preceding the Signing Date and, to the Sellers' best knowledge there are no facts or other circumstances which are likely to give rise or result in any such complaint.
- 10.8 There are no material expenses or financial commitments related to a Group Company or its business that in the last 12 months have been borne by any of the Sellers or a third party and that (in order to continue to enjoy the benefit of any related services or otherwise) after the Completion Date a Group Company will need to pay for or obtain at its cost from other sources.

- 10.9 No offer, tender or similar arrangement is outstanding which is capable of being converted into an obligation of a Group Company by an acceptance or act of a third party other than any such offers, tenders or similar arrangements made in the ordinary course of business.
- 10.10 Except for a representation or warranty implied by law or contained in its general terms and conditions or otherwise given in the ordinary course of business, the Group Companies have not given a representation or warranty in respect of services supplied (or agreed to be supplied), by it, nor have the Group Companies accepted an obligation that could give rise to such a liability.
- 10.11 All individual contracts for services (*overeenkomsten van opdracht*) under the respective framework agreements to which the Group Companies are a party as Fairly Disclosed in the Disclosed Information have been validly signed and are extended for the term included in such individual contracts.
- 10.12 None of the Group Companies have granted a power of attorney or similar authority to any third party authorising such third party to represent and bind the Group Company, either in general or for any special purposes.
- 11. Arrangements with Affiliates and/or Related Persons**
- 11.1 The Group Companies:
- (i) are not party to any agreement or arrangement (legally enforceable or not) in which a Seller or, a former director of a Group Company (or any of their Affiliates and/or Related Persons) is or had any personal interest; and
 - (ii) do not owe any material obligation or sum (save in respect of employment contracts that have been Fairly Disclosed) to, nor does it and, to the Sellers' best knowledge, neither will it immediately after the Completion Date have any contractual or other arrangements of any sort, other than employment agreements, with a Seller or any of its Affiliates and/or Related Persons.
- 12. Insurance**
- 12.1 All insurance policies taken out by the Group Companies (the **Insurance Policies**) have been Fairly Disclosed and are in full force and effect, and all premiums due have been duly and punctually paid.
- 12.2 No written notifications have been received by any Group Company or Sellers with regard to the termination or non-renewal of any of the Insurance Policies or its continuation or renewal on less favourable terms and conditions.
- 12.3 The Insurance Policies provide adequate cover for all the assets of the Group Companies and their Business (that is, on adequate terms and conditions and for adequate values) against all risks normally insured against by persons carrying on the same type of business. The Insurance Policies enable the Group Companies to comply with all Legal Requirements, and the Group Companies have taken out all required Insurance Policies if and to the extent so obligated under agreements with third parties.
- 12.4 No claims are outstanding under any of the Insurance Policies, and during the last 24 months no insurer has denied a claim for coverage under any of the existing Insurance Policies.

13. Confidential information

- 13.1 The Group Companies have not disclosed to any third party any of its Confidential Information except where such disclosure was properly made in the ordinary course of the relevant Group Company's business and was made subject to an agreement under which the recipient is obliged to maintain the confidentiality of such Confidential Information and is restrained from further disclosing or using it other than for the purposes for which it was disclosed.

14. Intellectual Property Rights

- 14.1 The Group Companies either owns or validly holds license to the Intellectual Property Rights required for the continuation of the Business as it is presently conducted.
- 14.2 The Group Companies have duly paid all registration and renewal fees in respect of all registered Intellectual Property Rights owned by the Group Companies and have not done or omitted to do anything whereby any such Intellectual Property Rights may be revoked, invalidated or rendered unenforceable or whereby the prospects of registration of such rights may be prejudiced.
- 14.3 All Intellectual Property Rights owned by and licensed to any Group Company are valid, subsisting and enforceable and to the Sellers' best knowledge none of such Intellectual Property Rights have been subject to challenge, opposition or attack. To the best of Seller's knowledge, there has been no unauthorised use by any person of any Intellectual Property Rights of any Group Company.
- 14.4 No activities of the Group Companies of to the Sellers' best knowledge any licensee under any license granted by any of the Group Companies infringe any Intellectual Property Rights of any third party and no claim has been made against any of the Group Companies or any such licensee in respect of such infringement.
- 14.5 All Intellectual Property Rights created by third parties under an agreement with a Group Company has been fully transferred to the relevant Group Company, and each Group Company has procured that any such Intellectual Property Rights that will be created under any existing contract with such third parties will fully transfer to the relevant Group Company at no additional cost to any Group Company.
- 14.6 Other than in the ordinary course of business, none of the processes and formulae, research and development results and other trade secrets of the Group Companies, the value of which to the Group Companies is contingent upon being kept confidential, have been disclosed by any of the Group Companies to any person other than the employees, representatives and agents of the Group Companies on a need to know basis and who are bound by duties of confidentiality.
- 14.7 The Group Companies are the beneficial owner and registrant of the domain names Fairly Disclosed, and of the websites which may be accessed at the domain names.
- 14.8 The Group Companies have not granted nor entered into, and are not obliged to grant or enter into, any agreement, arrangement or understanding (whether legally enforceable or not) for the licensing or otherwise permitting or authorising the use or exploitation of the Intellectual Property Rights of any Group Company by third parties.

15. Information Technology

- 15.1 The IT Systems are either owned by or properly leased or licensed to the Group Companies and no Group Company is in material breach of any license or lease of the IT Systems.
- 15.2 The IT Systems are sufficient and suitable for operational and business requirements of the Group Companies, have been regularly and properly maintained in all material respects, and during the last 12 months there has been no failure, breakdown, defect or security breach of the IT Systems which has had a material adverse effect on any Group Company.
- 15.3 The Group Companies implement a data retention policy ensuring that electronic records including emails are stored and able to be retrieved from a secure, searchable archive. The data retention policies comply with applicable laws and regulations.
- 15.4 To the Sellers' best knowledge, the IT Systems have been satisfactorily and regularly maintained and there have been no breaches of the security of the IT Systems, save for one breach of a mailbox as has been Fairly Disclosed. The Group Companies have a disaster recovery plan, which would enable the Business to continue in all material respects in the event of serious damage to the IT Systems.
- 15.5 The Group Companies are in possession or control of the source code of all material software (other than off-the-shelf software) in the IT Systems and, to the Sellers' best knowledge, there has been no unauthorised disclosure of such source code. In the event that a Group Company does not own any such software, the relevant Group Company has the right to use that software.

16. Data Protection

- 16.1 Each Group Company materially complies with all Data Protection Laws.
- 16.2 No written notifications from any person or body alleging non-compliance with any Data Protection Laws have been received by any Group Company.

17. Real Estate Properties

- 17.1 The Disclosed Information contains true and accurate copies of all agreements of the Properties leased by the Group Companies (the **Leased Properties**).
- 17.2 The Properties are the only land and buildings owned, actively used or occupied by the Group Companies in carrying on the Business.
- 17.3 The Group Companies do not have any right of ownership, right of use, option, right of first refusal or contractual obligation to purchase, or affecting any land or buildings other than the Properties.
- 17.4 No Group Company has made any material renovation or alteration of any Leased Property, other than on the basis of and in accordance with the prior permission or consent of the relevant landlords and/or – to the extent applicable – the relevant governmental authorities and no Group Company is under any obligation to reinstate any of the Leased Properties during or at the end of the relevant lease by removing any alteration or addition which has been made to it.

- 17.5 No Group Company has sublet any part of the Leased Properties without proper consent by the relevant owner, the lessor and/or the relevant authority.
- 17.6 Each Group Company holds all the required permits and licenses and uses the Properties and Leased Properties materially in accordance with, and has at all times materially complied with, the terms and conditions of the relevant lease and any other applicable agreement and all Legal Requirements, permits, licenses and zoning plans.
- 17.7 All Properties and Leased Properties are in good repair and in good condition and are in such state of repair and condition as to be substantially fit for the purpose for which they are at present used and, to the Sellers' best knowledge, do not contain any substance or material which is defective or a risk to health or safety.
- 17.8 Each Group Company has paid the rent and service costs due for leased Properties and is not indebted for any costs to the relevant landlord. Except for timely payment of the rent to the relevant landlord none of the Group Companies have any liabilities or obligations to any person under any lease agreement for a Property. Per Signing Date there are no material issues or discussions with any of the landlords regarding the Leased Properties.
- 17.9 None of the Group Companies has given notice of termination of the lease on any of the Leased Property and none of the Group Companies have received any notice or order in which the lease of any of the Leased Property has been terminated.
- 17.10 The Group Companies do not have any actual or contingent obligations or liabilities (in any capacity including as principal contracting party or guarantor) in relation to any lease, licence or other interest in, or agreement relating to, land or buildings apart from the Properties. In respect of the Properties, there are no dilapidations (*bouwvalligheid*) requiring works and no such dilapidations notices or claims are likely to be made in the 12 month period following the Completion Date.
- 17.11 There exists no dispute between a Group Company and the owner or occupier of any other premises adjacent to or neighbouring a Property.
- 17.12 ABN AMRO Bank N.V. has been informed, in accordance with the underlying mortgage agreements, of all (sub)letting of the Properties.
- 18. Employees**
- 18.1 No person or entity (including the Sellers), is entitled to receive from any Group Company a finder's fee, brokerage or commission in connection with this Agreement, or in connection with the sale of the Shares.
- 18.2 The Disclosed Information contains full and accurate details of the terms and conditions of employment applicable to employees of the Group Companies and no (verbal or written) proposal, assurance or commitment has been communicated to any person regarding any material change to his terms of employment or working conditions or regarding the continuance, introduction, increase or improvement of any material benefit, custom or any discretionary arrangement or practice, other than in the ordinary course of business and consistent with past practice.
- 18.3 None of the Group Companies has any verbal arrangements with any of its employees and none of the Group Companies have granted any loan, or provided any financial assistance

to any employee or former or prospective employee of the Group Companies, which is outstanding as of the Signing Date.

- 18.4 None of the employees of the Group Companies is entitled to or participates in any bonus, share option, profit sharing or similar plans, other than as Fairly Disclosed.
- 18.5 The Group Companies have in relation to each of their employees and each of the former employees of the Group Companies, complied with all obligations imposed on them by all applicable laws, codes of conduct and practice relating to or affecting employment, occupational safety and health, fair employment, equal opportunity or similar matters and have maintained current, adequate and suitable records regarding the service and terms and conditions of employment of each employee and former employee. There are no arrears in respect of any payments due to any employees of the Group Companies.
- 18.6 There is no dispute between the Group Companies and any of their employees or former employees nor are there, to the Sellers' best knowledge, any facts or circumstances which may give rise to any such disputes. None of the former employees of the Group Companies are entitled to any remuneration, benefits, premiums and damages or similar payments (other than severance payments).
- 18.7 All employees of the Group Companies are permitted to work in the jurisdiction in which they carry out their duties for the relevant Group Company.
- 18.8 Within the year preceding the date of this Agreement, none of the Group Companies have been a party to a transaction involving the transfer of assets as a result of which employees have been transferred to any of the Group Companies by operation of law, nor could any employees or former employees of the Group Companies validly claim that such a transfer has taken place.
- 18.9 None of the Group Companies is currently or has formerly been a party or subject to a collective labour agreement, has any obligations towards, or under any arrangements with, any trade union and no Group Company is bound by any reorganisation plans (*sociaal plan*). Within the year preceding the Signing Date, there have been no labour disputes between the Group Companies and any of the (former) employees or any trade union and to the best of Seller's knowledge no circumstances exist that may lead to a collective labour dispute.
- 18.10 No director, officer, worker, employee or consultant is entitled to any bonus or other payment or benefit as a result of Completion and/or this Transaction.
- 18.11 There are no directors, officers, workers, or employees of Group Companies or consultants to the Group Companies who are on secondment, or other leave of absence (other than normal holidays or absence of no more than 2 weeks due to illness).
- 18.12 During the year preceding the Signing Date, no employee of the Group Companies is or was, due to illness, injury or other disability, unable to work (*arbeidsongeschikt*), or absent from work, for a period of more than 6 months.
- 18.13 The Group Companies have discharged their obligations in full in relation to salary, wages, fees, commissions, bonuses, overtime pay, holiday pay, sick pay, Tax, national insurance, pension schemes and all other benefits and emoluments relating to its employees, officers, workers and consultants.

- 18.14 In the year preceding the Signing Date, no past or present director, officer, worker, consultant or employee of any Group Company or any predecessor in business has made or threatened any claim or action against a Group Company including:
- (i) in respect of any accident or injury which is not fully covered by insurance;
 - (ii) for wrongful dismissal or breach of any service contract;
 - (iii) for loss of office or arising out of or connected with the termination of office or employment;
 - (iv) for any payment claimed under any Employment Laws;
 - (v) to reinstate or re-engage any former employee, and
- to the Sellers' best knowledge, no circumstances have arisen or event or failure to act has occurred which could or might give rise to any such claim.
- 18.15 To the Sellers' best knowledge, there are no enquiries or investigations existing, nor pending or threatened affecting the Group Companies in relation to any directors, officers, workers or employees by any governmental or competent regulatory body.
- 18.16 No outstanding offer of employment or engagement has been made by any Group Company to any person nor has any person accepted an offer of employment or engagement made by the Company but not yet commenced such appointment.
- 18.17 Within the year preceding the Signing Date, no director or employee of any Group Company has, in their capacity as director or employee of a Group Company, been subject to any disciplinary proceedings nor has any director or employee of any Group Company raised any formal grievance under a Group Company's relevant procedures.
- 18.18 No disputes have arisen, nor do the Seller's know of any disputes that shall arise, relating to non-compete or non-solicitation clauses, with current or former employees.
- 18.19 No risk of any adverse effects to the Group Companies exists due to possible reclassification of temporary worker contracts.
- 18.20 The Sellers have Fairly Disclosed all material details of all remuneration and emoluments payable and any other benefits (including those received otherwise than in cash):
- (i) actually provided; or
 - (ii) which the Group Companies are bound to provide (whether now or in the future)
- to each officer, worker and employee of the Group Companies and consultant to the Group Companies together with the principal terms on which such remuneration emoluments and benefits are payable. Such details are true and accurate in all material respects.
- 19. Pensions**
- 19.1 The Disclosed Information contains full and accurate details of all Benefit Schemes of the Group Companies.

- 19.2 None of Group Companies is subject to or required to participate in any state, branch or industry pension fund in respect of any employees or personnel.
- 19.3 All premiums that have become due in respect of the Benefit Schemes have been paid or are adequately provided for and the Group Companies have no obligation with respect to the Benefit Schemes, including back-service obligations, which are not fully funded or adequately provided for. The Group Companies have at all times observed and performed all of their obligations in respect of the Benefit Schemes in all material respects.
- 19.4 The Group Companies have not made any promise or agreement in respect of the provision of conditional pension rights (*voorwaardelijke pensioenrechten*), which are only to be funded at a later date.
- 19.5 Except pursuant to the Benefit Schemes, no Group Company has paid, provided or contributed towards, and no Group Company is under any obligation or commitment (whether or not legally enforceable or written or unwritten or of an individual or collective nature) to pay, provide or contribute towards, any benefit for or in respect of any employee or former employee, director or other officer (or any spouse, child or dependents thereof) of any Group Company or of any predecessor in business of any Group Company or to pay any other costs or expenses in respect of the provision of any benefit.
- 19.6 No employee or former employee of the Group Companies has at any time been excluded from or has had benefits limited under the Benefit Scheme, whether directly or indirectly, on grounds of age, sex, sexual orientation, religious beliefs, disability or specified hours of work (including part time and fixed term employment) and every person who is entitled to membership of the Benefit Scheme has been invited to join from the date on which they became entitled.
- 19.7 The Benefit Scheme provides only money purchase benefits, rather than defined benefits, and the Group Companies have not given any promise or assurance to any beneficiary that their benefits under the Benefit Scheme will be calculated wholly or partly by reference to any person's remuneration or will constitute any particular amount and the benefits which are prospectively and contingently payable under the Benefit Scheme are solely such as can be provided by the funds available for each member under the Benefit Scheme.
- 20. Compliance and Litigation**
- 20.1 The Group Companies are qualified to conduct their Business as currently carried out and have at all times conducted the Business in compliance with all applicable Legal Requirements.
- 20.2 In the five (5) years preceding the Signing Date, none of the Group Companies nor any of their (former) directors, officers, agents, employees or other representatives have, when acting for or on behalf of a Group Company, at any time been engaged in any agreement, arrangement, practices or conduct which infringes any competition or anti-trust law, Anti-Corruption Law, Anti-Money Laundering Law and Economic Sanctions Law. Each Group Company has instituted and maintained appropriate policies and adequate procedures designed to ensure, and which are reasonably expected to continue to ensure, compliance by such Group Company and its directors, officers and employees with all Anti-Corruption Laws, Anti-Money Laundering Laws and Economic Sanctions Laws.



- 20.3 The Group Companies have obtained all licenses, permits, consents, authorisations, certificates and registrations relevant or necessary to operate their Business as presently operated, which are in full force and effect and have at all times been complied with in all material respects.
- 20.4 To the best of Seller's knowledge, no circumstances exist which may result in the termination, revocation, suspension, modification of any of the licenses, permits, consents, authorisations, certificates and registrations or which may prejudice the renewal thereof.
- 20.5 None of the Group Companies is engaged in any disputes, litigation, arbitration or other proceedings, aside from those Fairly Disclosed, and, to the Sellers' best knowledge, there are no disputes, litigation, arbitration or other proceedings threatened against any of the Group Companies. There are no existing or expected judgements against any Group Company, aside from those Fairly Disclosed.
- 20.6 No injunction or order for specific performance (*nakoming*) has been granted against a Group Company which has not been discharged or fully complied with or is otherwise no longer in force.
- 20.7 To the Sellers' best knowledge, neither the Group Companies nor any director of the Group Companies are or have in the five (5) years preceding the Signing Date, been subject to any investigation, enquiry or disciplinary proceeding (whether judicial, quasi-judicial or otherwise) in any jurisdiction and none is pending or threatened or likely. The Group Companies have not received any written request for information from any court or governmental authority with respect to any enquiry or disciplinary proceeding.
- 21. Information**
- 21.1 All information that the Sellers or their advisors have provided to the Purchaser in the Disclosed Information is true and accurate. The Sellers have collected the information in the Disclosed Information in good faith and the Disclosed Information contains all information which the Sellers reasonably consider material.

SCHEDULE 10

PURCHASER'S WARRANTIES

1. CAPACITY

- (a) The Purchaser is duly organised and validly existing under the laws of the jurisdiction in which it was incorporated.
- (b) The Purchaser has the requisite power and authority (corporate and other) to carry on its business as currently conducted and it is authorised to execute this Agreement and any other agreements contemplated herein to which it is a party and, after obtaining shareholders' approval, to consummate the transaction contemplated herein. The execution of this Agreement and the agreements contemplated herein have been duly authorised by all requisite corporate action and save as set forth in this Agreement, no consents, approvals, orders or authorisations of, or registrations, declarations or filings with, any person, other than the shareholders' approval, are required in connection with the entering into of this Agreement, or of the agreements contemplated herein.
- (c) The Purchaser is not insolvent nor has it been declared bankrupt, and no action or request is pending or, to the best knowledge of the Purchaser, threatened to declare the Purchaser bankrupt or to make the Purchaser subject to any proceeding contemplated by any applicable bankruptcy law.

2. CONSEQUENCES OF SALE

- (a) The execution and performance by the Purchaser of this Agreement, and of the agreements contemplated herein, will not violate the provisions of any law by which it is bound, its articles of association or other similar documents (each as amended from time to time), any contract, agreement or other instrument by which it is bound or any resolution of its supervisory board, management board or other corporate body or of its shareholders.
- (b) This Agreement and all other agreements and obligations undertaken in connection with the transaction contemplated herein constitute or will constitute, following the execution thereof, and subject to shareholders' approval, the valid and legally binding obligations of the Purchaser, enforceable against it in accordance with their respective terms.

3. SUFFICIENT FUNDS

- (a) At Completion, the Purchaser has, subject to shareholders' approval, available sufficient funds to pay the Cash Completion Amount to the Notary in accordance with the terms of this Agreement.
- (b) When due in accordance with this Agreement, there are no transfer restrictions or any other restrictions regarding the fund flow payment, and for any payments made by wire-transfer.

SCHEDULE 11

TAX COVENANT

1. TAX INDEMNITY

1.1 The Sellers shall indemnify (*schadeloos stellen*) on a euro-for-euro basis and hold harmless (*vrijwaren*) the Purchaser from:

- (a) any Actual Tax Liability arising in respect of, by reference to or in consequence of:
 - (i) any income, profits or gains earned, accrued or received on or before the Completion Date;
 - (ii) any Tax Event which occurs or occurred on or before the Completion Date; and
- (b) any Secondary Tax Liability, and
- (c) any Deemed Tax Liability

(the Tax Indemnity).

2. Tax Warranties

- 2.1 Each Group Company has duly and timely paid all Taxes that are formally due and payable (*formeel verschuldigd*), before the Accounts Date except to the extent that any such unpaid Tax has been adequately provided for in the Accounts.
- 2.2 The Group Companies have duly, timely and correctly made all filings, returns, payments and withholdings, given all notices, maintained all records and supplied all other information in relation to Tax which they were required to make, give, maintain or supply and all such returns, payments, withholdings, notices, records and information were complete and accurate.
- 2.3 All records which any Group Company is required to keep for Tax purposes, or which are needed to substantiate any claim made or position taken in relation to Tax by a Group Company have been duly kept and are (or can be made immediately) available for inspection at the premises of the relevant Group Company.
- 2.4 None of the Group Companies have been, nor are, liable to pay any penalty, fine, surcharge, interest or similar amount in relation to Tax. There are no facts which are likely to cause any of the Group Companies to become liable to pay any such penalty, fine, surcharge, interest or similar amount.
- 2.5 Each of the Group Companies is and has been in compliance in all material respects with all applicable transfer pricing Legal Requirements and regulations, including the maintenance of an acceptable reasoning and adequate documentation to support any position on transfer pricing.
- 2.6 The amount of Tax chargeable on the Group Companies has not been affected by any rulings, concession, arrangements, agreement or other formal or informal arrangement with

any Tax Authority (not being a ruling, concession, agreement or arrangement available to companies generally). None of the Group Companies are subject to a special Tax regime.

- 2.7 The Group Companies have made all deductions and withholdings in respect of, or on account of, any Tax from any payments made by them which they are obliged or entitled to make and have accounted in full to the appropriate Tax Authority for all amounts so deducted or withheld.
- 2.8 The Group Companies have at all times been resident, for Tax purposes, in their jurisdiction of incorporation and are not and have never been resident, for Tax purposes, in any other jurisdiction, neither have they had a taxable presence, or been deemed to have a taxable presence, including a CIT or VAT permanent establishment (*vaste inrichting*) outside such jurisdiction.
- 2.9 The repayment of any receivable due by a Seller to Delphy and/or any of the Group Companies on or prior to Completion in accordance with Clause 5.2 does not result in Tax becoming due by Delphy and/or any of the Group Companies, other than any Tax becoming due in relation to any interest accrued or received in relation to such receivable
- 2.10 None of the Group Companies is liable for Tax imposed on, or due for payment by, any third party (including any sub-contractor), the Sellers or any of their Affiliates, other than provided for in the Accounts.
- 2.11 There neither is nor has been any dispute, including litigation, between any of the Group Companies on the one hand and any Tax Authority on the other hand, nor have any of the Group Companies been the subject of any extraordinary investigation or visits by any Tax Authority. There are no facts which are likely to give rise to any such dispute or investigation in relation to Tax, and the Group Companies have not been notified of any request for such an audit or other any other examination in relation to Tax.
- 2.12 Each of the Group Companies is duly registered for the purposes of VAT in the country of its incorporation, and in any other country where such registration is required.
- 2.13 All information that the Sellers or their advisors have provided to the Purchaser in the Disclosed Information in relation to Tax is true and accurate. The Sellers have collected the information in the Disclosed Information in relation to Tax in good faith and the Disclosed Information contains all information in relation to Tax which the Sellers reasonably consider material.
- 2.14 The Group Companies have not participated in any transaction, scheme or arrangement of which the main purpose or one of the main purposes, or the effect is the avoidance or evasion of a liability to Tax or which would be re-characterised or treated as unenforceable or ineffective for tax purposes.

Clauses 2.1 through 2.14 are the 'Tax Warranties'.

3. Exclusions

3.1 The Tax Indemnity and the Tax Warranties shall not cover any Tax Liability to the extent that:

- (a) specific provision or reserve in respect of that Tax Liability has been made in the Accounts; or
- (b) the Tax Liability was paid or discharged on or before the Signing Date or before preparation of the Accounts; or
- (c) recovery has been made or can be made without cost to Purchaser, recovery is available under an insurance policy or is otherwise compensated for without cost to the Purchaser's Group; or
- (d) the Tax Liability arises in respect of, by reference to or in consequence of the Tax Liability would not have arisen but for a voluntary transaction, action or omission carried out or effected by the Purchaser or any person connected with the Purchaser (other than any Group Company) at any time after Completion, other than as required by any Legal Requirement; or
- (e) it would not have arisen (or would have been reduced) but for a change in legislation or a change in interpretation of legislation on the basis of case law made after the Signing Date (whether relating to Tax, the rate of Tax or otherwise) or any amendment to or the withdrawal of any practice previously published by a Tax Authority, in either case occurring after the Signing Date; or
- (f) it arises as a consequence of any failure by a member of the Purchaser's Group to comply with any of their respective obligations under this Schedule 11 (*Tax Covenant*); or
- (g) it arises as a result of any change after Completion of the date to which a Group Company makes up its accounts or in the bases, methods or policies of accounting of a Group Company other than a change which is reported by the auditors of a Group Company to be necessary in their opinion because such bases, methods or policies of accounting as at date of Completion are not in accordance with any generally accepted accounting practice or principle then current.

3.2 If a member of the Purchaser's Group becomes aware of any circumstance occurring after the Completion Date and that may give rise to a Tax Indemnity Claim or Tax Warranty Claim, the Purchaser shall, or shall procure that a Group Company shall: notify the Sellers as soon as reasonably possible, but in any event within twenty-one (21) Business Days after becoming aware thereof of such a circumstance in writing and stating, to the extent reasonably possible, the fact, the circumstance or the event and the legal basis that may lead or has led to such Tax Indemnity Claim or Tax Warranty Claim. Failure by the Purchaser to provide the notice within twenty-one (21) Business Days after becoming aware of a matter giving rise to a Tax Indemnity Claim or Tax Warranty Claim does not discharge the Sellers of its obligations under this Schedule 11 (*Tax Covenant*), but failure of the Purchaser to notify the Sellers within the aforementioned time limit, shall limit or exclude the liability of the Sellers if (and to the extent that) the delay caused irreparable damages to the Sellers or increase of the Tax Indemnity Claim or Tax Warranty Claim.

- 3.3 If a member of the Purchasers Group becomes aware of any circumstance occurring after the Completion Date that may give rise to a Tax Indemnity Claim or Tax Warranty Claim, the Purchaser shall, or shall procure that a Group Company shall, to the extent being legally entitled thereto, file a pro forma objection (*bezwaarschrift*) ultimately one (1) Business Day before the date of expiry of the applicable time limit for such objection or appeal.

4. Corresponding Benefit

- 4.1 If a member of the Purchaser's Group receives or will receive a benefit or makes or will make a saving which it would not have received or made but for the circumstances giving rise to a claim under this Schedule 11 (*Tax Covenant*), then:

- a) The Purchaser shall procure that full details of the benefit or saving are given to the Sellers as soon as practicable and in any event within twenty-one (21) Business Days of receipt of the benefit or saving in question;
- b) The liability of the Sellers under paragraph 3 shall be reduced with an amount equal to the amount of the benefit or saving that should be realised by the Group Company over time, which amount is equal to the Net Present Value; and
- c) With respect to any benefits or savings that have not been taken into account pursuant to subparagraph (b) above, the Purchaser shall procure that, as soon as practicable and in any event within thirty (30) Business Days of the date when the benefit is actually received or saving in question is actually made, being the date when the Tax would otherwise have been due to avoid interest or penalties which are not due by virtue of the saving, the amount of such benefit or saving is forthwith repaid to the Sellers up to the amount of the benefit or saving and that any interest or repayment supplement received relating to the benefit or saving so far as repaid is also forthwith paid to the Sellers.

- 4.2 If a member of the Purchaser's Group is entitled to receive a benefit or make a saving, as referred to in paragraph 4.1 of this Schedule 11 (*Tax Covenant*), it shall make reasonable endeavours to obtain any such benefit or make such savings within a reasonable time.

5. DUE DATE FOR PAYMENT

Any amount owed by the Sellers pursuant a Tax Indemnity Claim or Tax Warranty Claim must be paid within 10 Business Days after the earlier of:

- (a) the date on which a compromise or settlement has been reached between the Parties with respect to the relevant Tax Indemnity Claim or Tax Warranty Claim;
- (b) the date on which a compromise or settlement has been reached with the Tax Authority in respect of the relevant Tax Liability; or
- (c) the date on which a final decision is made on appeal with respect to the relevant Tax Liability against which no appeal is possible.

6. PREPARATION AND FILING OF TAX RETURNS

- 6.1 The Sellers shall prepare and file, or procure the preparation and filing of, all Tax Returns in respect of any Group Company in a manner and on a basis consistent with past practice

(*bestendige gedragslijn*), insofar as such Tax Returns are required to be filed on or before Completion.

- 6.2 The Purchaser shall prepare and file, or procure the preparation and filing of, all Tax Returns, in respect of any Group Company not covered by Paragraph 6.1 of this Schedule 11 (*Tax Covenant*) in a manner and on a basis consistent with past practice (*bestendige gedragslijn*), other than as required by Legal Requirement.
- 6.3 Where any Tax Return is required to be submitted for, or in respect of, a Straddle Period, a draft shall be submitted by the Purchaser to the Sellers at least 15 Business Days before its intended submission to any Tax Authority and the Sellers and their advisers shall be given access to all information necessary to determine its accuracy. In addition, the Sellers shall be kept informed by the Purchaser of any negotiations regarding the Tax liabilities of a Group Company relating to the Straddle Period and before any agreement in respect of those Tax liabilities is reached with a Tax Authority, details of the proposed agreement shall be given by the Purchaser to the Sellers at least 15 Business Days before the proposed conclusion of such agreement.
- 6.4 Each Party shall promptly provide the other Party with such information and assistance as may be reasonably requested by such Party in connection with the preparation and filing of all Tax Returns.

7. TAX AUDITS

- 7.1 Following the Completion Date, the Sellers shall cooperate, to the extent reasonable, with Purchaser with regard to the conduct of any Tax Audit.
- 7.2 Following the Completion Date, Purchaser shall promptly notify the Sellers, or as the case may be, the Sellers shall promptly notify Purchaser, in writing, and in any event within five Business Days upon receipt of a notice of any pending audit investigation, assessment or other material proceedings with respect to a Tax Audit and provide each other with a copy of all correspondence or other documentation received.
- 7.3 Following the Completion Date, Purchaser shall control the conduct of any such audits or other proceedings relating to any Tax of any Group Company, provided however that Purchaser shall require the prior written consent of the Sellers, which consent shall not unreasonably be withheld, to settle or compromise any such audit or proceeding with respect any Group Company. Purchaser shall timely inform and consult with the Sellers with regard to any correspondence, meetings and appeal opportunities with the relevant Tax Authorities or the relevant courts in relation to such audits or proceedings. The Purchaser shall take into account any comments that the Sellers may have, except to the extent they are unreasonable, in relation to such correspondence, meetings and appeal opportunities.
- 7.4 The Purchaser shall control the conduct of any audits or other proceedings relating to Tax matters of any Group Company not covered by Paragraph 7.3 of this (Tax Covenant) and shall be entitled to settle and compromise any such audit or proceeding.
- 7.5 The Sellers and the Purchaser shall provide each other such information and render such assistance as may reasonably be requested in order to ensure the proper and adequate defence of any such audit or other proceeding.

- 7.6 The Sellers and Purchaser agree to retain all records that may be required for the conduct of any audit or other proceedings until the expiration of applicable statutory limitation period and, upon reasonable notice, to provide each other access to all books and records relating to any Group Company as may be reasonably required to exercise their rights under this Schedule 11 (*Tax Covenant*).

8. PRECEDENCE OF THIS TAX SCHEDULE

- 8.1 In the event of any discrepancies between this Schedule 11 (*Tax Covenant*) and the rest of this Agreement, this Schedule 11 (*Tax Covenant*) takes precedence, if and to the extent the matter concerned relates to Tax.
- 8.2 The limitations set forth in Clause 18.2(b), Clause 18.3, Clause 18.6, Clause 18.9 and Clause 32.1 of this Agreement shall *mutatis mutandis* apply with respect to the Tax Indemnities in this Tax Covenant and the Tax Warranties in this Tax Covenant.

SCHEDULE 12
ADDRESSES OF PARTIES

The Sellers

Seller	Country	Address	Postal code and city
Jacco van der Wekken Holding B.V.	The Netherlands	Voorstraat 59	4033 AC Lienden
Arnoud & Anja Beheer B.V.	The Netherlands	Markt 23	6701 CX Wageningen
René van Tol Beheer B.V.	The Netherlands	Dorpsstraat 20	2391 BG Hazerswoudedorp
Cor van Oers Beheer B.V.	The Netherlands	Neerstraat 12	4751 RH Oud Gastel
GeJo B.V.	The Netherlands	Adelaarshof 3	8161 MA Epe
Ad van Laarhoven Beheer B.V.	The Netherlands	Middelstraat 41	5176 NH De Moer
Harm Brinks Beheer B.V.	The Netherlands	van Speyk 135	5831 LC Boxmeer
Roelof Naber Beheer B.V.	The Netherlands	Gasselterweg 1 a	9461 HA Gieten
C. Oele	The Netherlands	Brede Hilledijk 444C	3072 NK Rotterdam
A.F.V. Braam	The Netherlands	Bernhardlaan 22	1735 HJ 't Veld
Stekidotema Beheer BV	The Netherlands	Noordlandselaan 15 b	2691 KS 's-Gravenzande
P. Hooijman	The Netherlands	Vorenpakker 10	8314 AX Bant
C. A. Bal	The Netherlands	Rozenstraat 14	4434 AL Kwadendamme

The Purchaser

Purchaser	Country	Address	Postal code and city
AgriFORCE Growing Systems Ltd.	Canada	#300, 2233 Columbia St.	BC V5Y 0M6, Vancouver



**DEROOSE PLANTS N.V.
BINDING LETTER OF INTENT**

February 23th

The following terms form the basis for the terms of the intended acquisition of (all) shares in DeRoose Plants N.V. and its subsidiaries by AgriForce Growing Systems Ltd. These indicative terms are neither exhaustive nor unconditional, as they are (inter alia) subject to confirmation of underlying assumptions. Any findings in Due Diligence investigations as part of the acquisition process may require changes to same. The intended Share Purchase Agreement shall set additional terms and/or set out whole or part of the indicative terms in greater detail.

Bidding entity	AgriForce Growing Systems Ltd. ("AgriForce") or other principal in the AgriForce group, to be disclosed in due time (if applicable)
Target entity	Deroose Plants N.V. ("Deroose" or the "Company") including any and all of its subsidiaries under which Exotic Plants BvBa hereinafter ("the Group")
Selling entities	Shareholders of Deroose Plants N.V. , together also "Sellers"
Effective date	1 st of January 2022
Purchase price	<p>Subject to findings and valuation aspects of the Due Diligence Investigation ("DD"), the purchase price (based on a purchase of 100% of the shares in the Company) will consist of the following elements :</p> <ul style="list-style-type: none"> • An amount of Euro 61,05 million for all shares in the Company. This amount will be payable in three terms, Euro 58,05 million at closing, Euro 1,5 million after 1 year from closing and Euro 1,5 million 2 years after closing. • Any cash and debt free adjustments (to be agreed upon by Sellers and AgriForce) based on the consolidated balance sheet in the audited annual accounts 2021 shall be added to/reduced from the gross purchase price due at completion. For this calculation, the existing loans / current accounts with shareholders will be taken into account, these will be settled with the Company before closing. • A minimum of 85% of the Company's shares must be sold as a condition of this Agreement. Any shares not sold to AgriForce shall be subject to a new shareholders agreement to be agreed between AgriForce and the remaining shareholders.

AgriFORCE Growing Systems Ltd.
3rd Floor, 2233 Columbia St.
Vancouver, BC V5Y 0M6
Canada

Letter Subject: Letter of Intent
Date February 23th 2022

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	<ul style="list-style-type: none"> The purchase price shall be allocated such that Euro 41.05 million shall be attributable to Deroose Plants N.V. and Euro 20 million shall be allocated to the plantation crops (Annex 1) held by Exotic Plants BvBa or any other Group company attached hereto as. An Earn Out based on the audited annual report 2022, to be calculated as the difference between the realized EBITDA 2022 (accounting for normalisations) and an amount of Euro 4,35 million, multiplied by 10. The Earn Out is maximized to Euro 10 million. As part of normalisation of EBITDA, intercompany transactions and transactions between the Company and Sellers, and any associated revenue shall not be considered as part of earnings. The earn out will be increased by the profit (selling price minus the current book value of € 323k) on the sale of the property of approximately 10ha in Kluiven owned by Deroose, provided that this sale has taken place no later than 1 year after closing. There are several requirements of Purchaser on which the purchase price is based, that will need to be established through the audited annual accounts of the Company and verified accordingly in DD. Among other requirements, the: <ul style="list-style-type: none"> Consolidated EBITDA 2021 of the Company amounts to Euro 3,7 million or more on a non-normalized basis Consolidated Net Profits 2021 of the Company amounts to Euro 1,5 million or more Consolidated Equity of the Company on the Effective Date amounts to Euro 4,8 million or more; External validation of the Company's 2022 forecasting and budget with an EBITDA of € 4,8 million (as approved by the shareholders of the Company) to support a 2022 expected EBITDA of at least Euro 5 million. The Company having sufficient working capital at its disposal, in keeping with the average working capital in preceding years and being sufficient for the Companies working capital requirements for 2022. Confirmation of the total debt of the Group and real estate valuations of all major real estate properties held within the Group . All the required fixed assets that Deroose needs to operate identified in a fixed asset register (Agriforce is aware of the fact that part of the fixed assets is leased or hired by the Company.) <p>Deviation from these requirements may lead to adjustments in the intended purchase price.</p>
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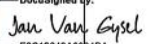

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<div data-bbox="319 793 365 846" data-label="Text">DS DL</div> <div data-bbox="319 961 386 1014" data-label="Text">DS JVG</div> <div data-bbox="344 1045 376 1150" data-label="Text">f</div> <div data-bbox="319 1161 386 1224" data-label="Text">R.D.</div>	<ul style="list-style-type: none"> Any and all actions or effects that will diminish the value contained in the Company in the period between the Effective Date and Closing shall be for Sellers' account ("Leakage") and Sellers shall compensate Purchaser for same. There shall be no consideration for interest, nor for value accrual between the Effective Date and Closing Date. All existing loans and financial relations with shareholders and/or group entities must be settled at the date of transfer of the purchased shares (closing date). The transaction shall take place as a Cash and Debt free purchase, save for the requirement that the company shall have sufficient working capital at its disposal, based on normalized working capital on the Effective Date in keeping with the average working capital in preceding years and working capital on the effective date being sufficient for the Companies working capital requirements for 2022. There shall be no compensation for such working capital, as sufficient working capital is a requirement on which the Purchase Price is based. AgriForce offers Sellers the opportunity to convert up to 30% of the purchase price in AgriForce shares. AgriForce is willing to make the AgriForce shares subject to a put option at 1 year after closing should the Sellers choose to return the AgriForce shares to AgriForce in return for the cash value based upon the Purchase price. We are happy to clarify this point further. The purchase price will be paid in cash. Any portion of the Purchase Price converted into AgriForce shares shall be deducted from the purchase price amount due in cash. The value of the AgriForce shares shall be based upon the five-day volume weighted moving average closing price of the AgriForce shares at the closing.
Strategic Alliance SIAT	<ul style="list-style-type: none"> Part of the deal is the implementation of a strategic alliance between Deroose and shareholder SIAT with respect to the further development production and trade of Plantation Crops (Rubber and Palm Oil plants). For the avoidance of doubt, such a strategic alliance shall not limit the Company in its ability to market or sell any of its products and/or services to any party other than SIAT (no exclusivity).
Strategy and business operations	<ul style="list-style-type: none"> AgriForce endorses the headlines of the strategy of Deroose for the coming years and is pleased to discuss this further in strategic sessions with management of Deroose.





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	<ul style="list-style-type: none"> AgriForce is willing to support the strategy by delivering knowledge and resources that will enable Deroose to accelerate the implementation of such plans as have been developed (and budgeted for) in consultation with AgriForce.
Management  DocuSigned by:  E2C12843A0004BA... 	<ul style="list-style-type: none"> AgriForce offers a stock and/or option plan for (future) key management. CEO Maurice van Winden will at date closing resign from SIAT NV and will be employed at Deroose Plants NV, at the lesser of the existing compensation terms with SIAT or the fair market value of the CEO position in the industry. The board of directors of the company will consist of 5 members. Jan Gesquière will resign as a member of the board of directors but will together with Sam Sabbe be invited to attend the board meetings and obtain a right to information for the period until 1 year after closing. Reginald Deroose will continue to be a member of the board of directors and is invited to continue his current role within the company. We would like to discuss that in more detail with him.
Process and conditions	<ul style="list-style-type: none"> Confirmation of the LE 2021 figures by validated consolidated annual accounts of the Group, each of which must be validated by an auditor's report that does not bestow qualifications, warnings or imposes actionables. For the calculation of the earn out, the EBITDA 2022 will be determined based on the audited consolidated financial accounts 2022 of the Group, subject to normalization and with the exclusion of intercompany transactions for the purposes of establishing earnings. Validation of the budget 2022 by an external party. Confirmation that the Group is sole owner of (inter alia) the intellectual property as described in Annex 1, that such ownership is not encumbered, and that the Group is the sole beneficiary of any and all associated rights benefits. Conducting due diligence research to AgriForce's satisfaction. Agreement on strategic alliance between Deroose and SIAT regarding the plantation crop business, which agreement is to be reached between Purchaser and SIAT, subject to completion of the transaction. Parties to reach agreement on terms of purchase as per a definitive share purchase agreement, including all conditions precedent for closing. AgriForce and the minority shareholders to reach a shareholders agreement. Shareholder approval by AgriForce.



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Date February 23th 2022

<div data-bbox="332 420 373 472">DS DL</div> <div data-bbox="308 577 373 640">DS JVG</div> <div data-bbox="284 661 381 850">   </div>	<ul style="list-style-type: none"> Each party shall bear any and all of its own costs in relation to the intended transaction, regardless of the outcome. Neither party shall be entitled to compensation for costs or damages where the parties do not reach unconditional agreement on the Transaction, save in case of proven fraud or deception ("bedrog / misleading"). AgriForce will use its best efforts to complete due diligence and to sign the definitive share purchase agreement and shareholders agreement for the transaction not later than 60 business days from the date of this Binding Letter of Intent, unless otherwise agreed to by both parties. AgriForce will require approximately 40-60 business days until final closing for the formal steps with respect to stock exchange regulations and shareholder approval.
<p>Further conditions</p>	<ul style="list-style-type: none"> Any transaction is subject to the outcome of due diligence investigation and its findings; Any transaction is subject to complete agreement on the terms as evidenced by a share purchase agreement (including warranties, indemnities and securities) and all other required legal documentation. Any transaction shall be subject to approval from AgriForce's shareholders, investors, stakeholders and its board of directors, which will be submitted based on satisfactory due diligence and transaction documentation to the satisfaction of Purchaser. Any transaction is subject to consent of fiscal, competition and securities authorities if and where required.
<p>Others</p>	<ul style="list-style-type: none"> This Binding Letter of Intent is strictly confidential and should not be shared with any third party, save for such advisors as are held to professional standards of confidentiality. This Binding Letter of Intent and subsequent agreements are governed by Belgian law with the Court of Ghent as forum except with respect to matters concerning issuance of common shares and other securities matters which shall be governed by U.S. federal law. Sellers will not enter into any negotiations with other parties or propose any transaction similar to the transaction described in this term sheet until July 31st 2022. News announcement to be included. A news release to be jointly agreed (in accordance with SEC regulations ; 8-K and other SEC filings).

Letter Subject: Letter of Intent
Date February 23th 2022

For approval dated February 23th 2022:

AgriForce Growing Systems LTD


By: Ingo Mueller

Shareholders Deroose

SIAT NV
Jean Van Gysel (Director)

DocuSigned by:

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SIAT NV
Dirk Lambrecht (Vice-Chairman, Director)

DocuSigned by:

C111D742B9E44D7...
Jan Gesquière


Reginald Deroose

Letter Subject: Letter of Intent
Date February 23th 2022

Annex 1

Non-floriculture crops				
Crops can be divided in three groups for tissue culture purposes.				
Denose Plants has extensive experience with crops from all three groups, as opposed to many other TC companies				
<ul style="list-style-type: none"> - Non-woody tropical crops - Woody crops - Herbaceous temperate crops 				
Active marketing, research and development				
Genus/Species	Common name	Status	Description	Opportunity
Ananas	Pineapple	active	Good protocols for pine-apple are developed. Currently only one type is propagated as a food crop, millions are made for Floriculture	Denose can have access to a breeding programme of one of its Licensor for fruit pineapple. The opportunity has not been actively followed up until now, but can offer large revenues. Actual market 17 trillion \$/hectare/year
Capsicum annum	Bell pepper	active/ R&D	In a joint project with Basf Nunhems new varieties of bell pepper are developed that cannot be propagated by seeds. IP on propagation and hardening is at DRP. Varieties are protected by Nunhems	Large scale propagation and marketing together with Nunhems
Citrullus lanatus	Watermelon	active	Seedless watermelon varieties that cannot be propagated by cuttings and seeds. IP on propagation and hardening is at DRP. Varieties are protected by Nunhems	Large scale propagation and marketing together with Nunhems
Cynara scolymus	Artichoke	active	Project in joint effort with Basf Nunhems. Plants can only be propagated by tissue culture. IP on propagation and hardening is at DRP. Varieties are protected by Nunhems	Large scale propagation and marketing together with Nunhems
Elaeis guineensis (ZE)	Oil palm	R&D	A joint effort between SIAT, PalmEit, Inra and DRP. DRP has developed the protocols for propagation and hardening. Inra/PalmEit are owners of genetics. There is a cooperation letter for production and field testing. Final license contract to be negotiated. Varieties of other breeders can be added.	The global market for young plants of oil palm is very large (600-1000). There are no commercial companies offering the TC plants freely in the market.
Glycine max	Soybean	R&D	A joint project with Inra, one of the largest Soy bean breeders. DRP develops the protocol for TC propagation and licenses the use	Income of license agreements and further growth by copying this to other crops and breeders.
Hevea brasiliensis	Rubber tree	active	Together with SIAT clones are tested in lab and field. The clones are free of licenses. We are negotiating a deal with a Chinese breeder for protected varieties	The global market for young plants is immense. Currently grafted plants are used with lower productivity. Market may be between 500-750 \$/m ² /per annum.
Musa	Banana	active	Signed contract with largest breeding station in Africa. DRP has protocols for propagation in place for Floriculture use. These can be copied.	Banana is the fourth food crop in the world. Large opportunity to access Asian, African and (South-) American markets.
Theobroma cacao	Cocoa	active/R&D	Small-scale production for SIAT. Due to focus on Rubber and Palm, this opportunity has been slowed down recently.	The global market for cocoa is large. Contacts have been established with some of the largest players in the market.
Vaccinium	Blueberry	active	In a joint effort with Fall Creek, one of the largest producers of blueberry, DRP is producing TC cuttings in China for the Chinese market. Upon success the cooperation can be extended to other areas.	Blueberry is grown and produced by Fall Creek in many regions in the world.
Full protocol, no active marketing				
Genus/Species	Common name	Status	Description	Opportunity
Actinidia arguta	Kiwiberry	active	We used to produce this crop in cooperation with University of Ghent. Full protocol has been developed and used	The product can also be propagated by cuttings. Propagation in a laboratory in Europe is not cost effective
Agave	Agave	active	All protocols developed, but not marketed as a non-floriculture plant	The sales teams are focused on floriculture business for this crop, because other uses are grown outside current sales areas.
Aloe (Vera)	Aloe	active	All protocols developed, but not marketed as a non-floriculture plant	The sales teams are focused on floriculture business for this crop, because other uses are grown outside current sales areas.
Coffea	Coffee	active	produced at Exotic Plants in the past. Full protocol available	The market for coffee plants is quite large, but a cooperation with government/breeder is necessary.
Curcuma	Turmeric	active	Previously produced as a floriculture crop.	Curcuma can also be grown as a food crop.
Echinacea	Coneflower	active	Previously produced as a floriculture crop.	
Eucalyptus	Eucalyptus	R&D	Currently Eucalyptus is being produced for floriculture use.	The market for Eucalyptus trees can be further developed.
Fragaria	Strawberry	active	This crop was produced in China. A good source of genetics is needed	DRP can start production in USA and CN, but needs a EU partner.
Solanum Tuberosum	potato	active	Exotic Plant used to produce for potato breeders. For hardening new investment in greenhouses were needed which have not been done.	Potato is one of the largest TC crops worldwide for production of mini-tubers.
Experience within team, no active marketing				
Genus/Species	Common name	Status	Description	Opportunity
Argania spinosa	Argan tree		In the past research was done on this tree type.	DRP has no position in current market.
Caesal	bay leaf		Protocol was in development.	
Phoenix dactylifera	date palm	R&D	First step was made for protocol development	Date is one of the largest TC crops in Middle East and north Africa. The opportunity was not pursued due to other priorities.

^{DS}
DL

Letter Subject: Letter of Intent
Date February 23th 2022

^{DS}
JVG

[Handwritten signature]
R.D.

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INTELLECTUAL PROPERTY LICENSE AGREEMENT

This License Agreement (this “**Agreement**”) is dated as of February 18, 2022 (the “**Effective Date**”) by and among Radical Clean Solutions Ltd, a New York corporation. (hereinafter referred to as “**LICENSOR**”), and AgriFORCE Growing Systems, Ltd., a corporation organized under laws of British Columbia (hereinafter referred to as “**LICENSEE**”). LICENSOR and LICENSEE may be referred to herein collectively as the “Parties” and individually each as a “Party.”

RECITALS

WHEREAS, LICENSOR owns certain intellectual property rights relating to its proprietary hydroxyl bacteria, virus, mold, odorous and VOCs pollutants elimination devices throughout the world;

WHEREAS, LICENSEE seeks to acquire the right to use the intellectual property rights to sell, market and product the RCS line of products worldwide pursuant to the terms and conditions of this Agreement; and

WHEREAS LICENSOR and LICENSEE will, in addition, work in good faith and provide best efforts to develop and file together a Patent specific for Controlled Environment Agriculture (CEA) within 90 days, with filing and development cost paid for by LICENSEE.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, and other valuable and legally sufficient consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

I. Definitions. The following terms shall have the following meaning when used in this Agreement, unless expressly noted otherwise:

A. “Confidential Information” of a Party means any and all technical information, samples, formulas, financial information, test results, trade secrets, material and other documents, ideas and reports of the Party (“Disclosing Party”) which such Party believes to be confidential, in each case which is communicated to the other Party (“Receiving Party”) to this Agreement. Such Confidential Information shall be marked or otherwise identified as “Confidential” by the Disclosing Party.

B. “Effective Date” shall mean February 18, 2022.

C. “Field of Use” shall mean for the sectors of CEA (Controlled Environment Agriculture) facilities and Labs; Food Manufacturing Facilities and Food Warehousing. Food Manufacturing includes Liquid Food Beverages other than Alcoholic Beverages and Hydration Beverages (water, soda, etc.), and includes the Company’s Hydroxyl Generators and Devices to commercial food manufacturing facilities and food warehousing entities other than restaurants and entities that primarily engage in the sale of alcoholic beverages and hydration beverages such as water and soda.

D. "Improvements" shall mean patentable and non-patentable inventions, discoveries, technology, modifications, and information of any type whatsoever, including without limitation, methods, processes, technical information, knowledge, experience and know-how which utilize, incorporate, derive from, or are based on the intellectual property licensed under this Agreement, or could not be conceived, developed or reduced to practice but for the use of the intellectual property licensed under this Agreement.

E. "Know-How" shall mean general and specific knowledge, experience, and information known to LICENSOR, not in written or printed form, applicable to the sale of products and services by LICENSEE or its delegate.

F. "Licensed Products" shall mean the LICENSOR's proprietary hydroxyl bacteria, virus, mold, odorous and volatile organic compounds (VOCs) pollutants elimination devices and any software related thereto.

G. "Licensed Territory" shall mean worldwide.

H. "Other Intellectual Property Rights" shall mean copyrights (registered or unregistered, published or unpublished), and design patents, all rights in graphics standards manuals, product manuals, operating manuals, service manuals, parts manuals, catalogs, advertisements, promotional materials, software, product specifications, blueprints, engineering drawings, designs, product sketches, customer lists, processes, drawings, test data, formulations and other proprietary information owned by LICENSOR, but not included in the definitions of Trademarks, Patents, Know-How, and Trade Secrets and that are necessary for the sale of Licensed Products by LICENSEE.

I. "Patents" shall mean the patents and patent applications listed in Appendix A as well as any and all applications and patents that claim priority to such patents and patent applications and any continuations, divisionals, continuations-in-part, extensions, reissues inventors certificates, utility models, or equivalent rights of any kind anywhere throughout the world.

J. "Licensed Technology" shall mean the Patents, Trade Secrets, and Other Intellectual Property.

K. "Term" is defined in Section XV of this Agreement.

L. "Trademarks" shall mean the trademarks (registered or unregistered) owned by LICENSOR and listed in Appendix B and which may be used by LICENSEE in the promotion and sale of Licensed Products.

M. "Trade Secrets" shall mean confidential business information and other proprietary information including designs, research and development information, technical information, specifications, data, databases, inventions, and other confidential information disclosed by LICENSOR to LICENSEE and applicable to the production and sale of products and services by LICENSEE.

II. Trademark License

LICENSOR hereby grants to LICENSEE a sole, non-transferable, sub-licensable, worldwide, royalty-free, fully paid up, perpetual, irrevocable and exclusive license to use the Trademarks on the Licensed Products and on advertising and promotional materials in the Licensed Territory for the Field of Use during the term of this Agreement throughout the Licensed Territory. LICENSOR shall retain sole and exclusive ownership of the Trademarks and all goodwill and rights related thereto in the Licensed Territory. All goodwill created as a result of the use of the Trademarks pursuant to this Agreement shall inure to the benefit of LICENSOR. LICENSEE understands and agrees that nothing in this Agreement shall be interpreted as conferring any ownership rights upon LICENSEE or any sublicensee with respect to the Trademarks. LICENSEE shall not sub-license any of the Trademarks without the prior consent of Licensor.

III. Patent License

LICENSOR hereby grants to LICENSEE a sole and exclusive license to, use, offer to sell, sell, import Licensed Products within the Licensed Territory. LICENSEE understands and agrees that nothing in this Agreement shall be interpreted as conferring any ownership rights upon LICENSEE or any sublicensee with respect to the Patents.

IV. Know-How License

LICENSOR hereby grants to LICENSEE a sole, irrevocable and exclusive license in the Licensed Territory to use the Know-How in the commercialization of Licensed Products. LICENSEE understands and agrees that nothing in this Agreement shall be interpreted as conferring any ownership rights upon LICENSEE or any sublicensee with respect to the Know-How.

V. Trade Secret License

LICENSOR hereby grants to LICENSEE a sole, irrevocable and exclusive license to use the Trade Secrets in the Licensed Territory in the commercialization of Licensed Products. LICENSEE understands and agrees that nothing in this Agreement shall be interpreted as conferring any ownership rights upon LICENSEE or any sublicensee with respect to the Trade Secrets.

VI. Other Intellectual Property License

LICENSOR hereby grants to LICENSEE a sole, irrevocable and exclusive license to use the Other Intellectual Property Rights in the Licensed Territory in the sale, marketing and distribution of Licensed Products. LICENSEE understands and agrees that nothing in this Agreement shall be interpreted as conferring any ownership rights upon LICENSEE or any sublicensee with respect to the Other Intellectual Property Rights.

VII. Exclusivity

The licenses granted from LICENSOR to LICENSEE under this Agreement to Trademarks, Patents, Know-How, Trade Secrets, and Other Intellectual Property shall be sole and exclusive to LICENSEE in the Licensed Territory during the Term of this Agreement. In the event

that this Agreement is terminated early by LICENSOR for an uncured breach by LICENSEE under Section XVI(C) of this Agreement, then such licenses shall automatically convert to non-exclusive licenses, and LICENSOR shall be free to grant non-exclusive licenses to third parties within the Licensed Territory thereafter.

VIII. Improvements Ownership and Licenses

Improvements shall be owned by the Party responsible for conceiving such Improvements, and such owning Party shall be responsible, at its complete discretion, whether and where to pursue patent or other intellectual property protection. Should one Party decide to not pursue a patent or other intellectual property protection for an Improvement, the other Party shall be given the opportunity to pursue that patent or other intellectual property protection for that Improvement. LICENSEE agrees to grant and hereby does grant to LICENSOR, outside of the Licensed Territory, an exclusive, royalty-free license for any purpose other than the Field of Use under any LICENSEE Improvement conceived or developed by or on behalf of LICENSEE, any patent or patent application disclosing such LICENSEE Improvement, and any such LICENSEE Improvement Know-How. LICENSOR agrees to grant and hereby does grant to LICENSEE, within the Licensed Territory, an exclusive, royalty-free license for the Field of Use any LICENSOR Improvement conceived or developed by or on behalf of LICENSOR, any patent or patent application disclosing such LICENSOR Improvement, and any such LICENSOR Improvement Know-How as if the LICENSOR Improvement forms part of the Licensed Technology.

Jointly created Improvements shall be co-owned by both LICENSOR and LICENSEE subject to Field of Use restrictions. LICENSEE shall enjoy exclusive use of any jointly created Improvement within the Field of Use as if LICENSEE solely owned the jointly created Improvement. LICENSOR shall enjoy exclusive use of any jointly created Improvement outside the Field of Use as if LICENSOR solely owned the jointly created Improvement.

IX. Fees

- A. Technology Fee. In consideration for the rights granted herein, LICENSEE has paid a fee of \$250,000.00. The Parties acknowledge that this fee has already been provided on October 4, 2021, as a Research and Development fee.
- B. License Fee. LICENSEE shall pay a one-time, lump sum license fee in the amount of \$250,000 in addition to the Technology Fee.
- C. Timing of Payments. LICENSEE shall pay the License Fee to LICENSOR within 2 weeks from the time of execution of this Licensing Agreement.

X. Protection and Enforcement

- A. In the event that LICENSEE learns of any infringement or unauthorized use of any of the Trademarks, Patents, Know-How, Trade Secrets, or Other Intellectual Property Rights, it shall notify LICENSOR of this infringement. LICENSEE shall have the right to take any action reasonably necessary to stop the infringement or unauthorized use within the Licensed Territory. Under this circumstance LICENSEE shall control the litigation, and all costs, including attorneys fees, shall be borne by LICENSEE. Under this circumstance, LICENSEE shall retain all damages recovered, subject to the License Fee and Royalty Payments owed to LICENSOR hereunder. LICENSOR further agrees to cooperate with and assist LICENSEE in any manner reasonably necessary for enforcing the rights in the Trademarks, Patents, Know-How, Trade Secrets, and Other Intellectual Property Rights, including being named as a plaintiff to any infringement action initiated pursuant to this section.
- B. If LICENSEE refuses or declines to take action to challenge an infringement or unauthorized use, LICENSOR shall have the right, but not the obligation, to pursue such infringement or unauthorized use on behalf of LICENSEE. LICENSOR may retain any and all monetary recovery up to an amount equal to its costs and expenses incurred in the action and any recovery in excess of that amount shall be split 50%/50% between the parties.
- C. LICENSOR agrees to maintain all of the Patents in the Licensed Territory and, in the event that LICENSOR is unwilling or unable to maintain the Patents, LICENSOR shall immediately notify LICENSEE, and LICENSEE shall have the right to take over such maintenance. In such a case, LICENSOR agrees to assign ownership of such Patents to LICENSEE, subject to all payments to LICENSOR as set forth hereunder. All new patents shall be maintained by the owner thereof.

XI. Nondisclosure of Confidential Information.

- A. All Confidential Information shall be maintained in confidence by the Receiving Party. Each Party shall use reasonable efforts to prevent the disclosure and to limit the dissemination of Confidential Information. Disclosure of Confidential Information may only be made to employees or authorized subcontractors and agents who have a need to know and who have agreed to observe identical or equivalent restrictions and limitations on the disclosure and use of Confidential Information. The standard of care imposed on each Party for protecting the Confidential Information of the other Party shall be no less than the standard degree of care that the Party uses to protect its own confidential information of like importance. The obligation to maintain Confidential Information in confidence shall survive termination or expiration of this Agreement.
- B. This Agreement imposes no obligation of confidentiality with respect to information that (i) was, at the time of disclosure, published or otherwise in the public domain, (ii) after disclosure becomes part of the public domain other than through a breach of this Agreement, (iii) was known to the Receiving Party prior to receipt from the Disclosing Party, provided such knowledge can be adequately substantiated, (iv) becomes known to the Receiving Party from a source that legally derives such information independently of the Disclosing Party under this Agreement, (v) the Receiving Party can demonstrate that it developed without reference to any Confidential Information provided pursuant to this Agreement, (vi) is freely disclosed by the owner of the Confidential Information to a third party without an obligation of confidentiality or nondisclosure, or (vii) is disclosed pursuant to law, regulation or other lawful order or process, provided that the Party from whom disclosure is sought will promptly notify the owner of the Confidential Information of the disclosure requirement to permit the owner to oppose or limit such disclosure.
- C. Nothing set forth hereunder shall be construed as preventing LICENSOR from making any and all disclosures required under U.S. securities law and regulation. The obligations of confidentiality contained in this Agreement shall not restrict any disclosure by Receiving Party to the extent the Receiving Party is required to disclose the Confidential Information by applicable law or a court of competent jurisdiction; provided, however, that it shall not make any such disclosure without first notifying the Disclosing Party and allowing the Disclosing Party a reasonable opportunity to seek injunctive relief from (or a protective order with respect to) the obligation to make such disclosure. In the event that such protective order or other remedy is not obtained, the Receiving Party shall use reasonable efforts to furnish only that portion of the Confidential Information which it is legally required to provide.

XII. WARRANTIES

LICENSOR warrants that it owns all rights to the Trademarks and Licensed Technology, that no other person, firm, company, corporation, or entity has any interest in or right or claim to the Licensed Technology, or to any part thereof, and that LICENSOR has the right to make the grants and satisfy its obligations under this Agreement.

LICENSOR WARRANTS THAT IT IS NOT AWARE OF ANY INFRINGEMENT OF ANY THIRD PARTY RIGHTS OR ALLEGATIONS OF ANY THIRD PARTY RIGHTS THAT HAVE RESULTED OR MAY RESULT FROM THE USE OF THE LICENSED TECHNOLOGY OR THE MANUFACTURE, USE, OR SALE OF THE LICENSED PRODUCTS, AND THAT IT IS NOT AWARE OF ANY THIRD PARTIES INFRINGING ANY OF THE TRADEMARKS OR LICENSED TECHNOLOGY. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ALL WARRANTIES REGARDING THE ACCURACY, RELIABILITY, OR UTILITY OF THE INTELLECTUAL PROPERTY LICENSED UNDER THIS AGREEMENT AND THE MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, USAGE OF TRADE, ARE HEREBY EXPRESSLY DISCLAIMED.

XIII. LIMITATION OF LIABILITY

EXCEPT FOR CLAIMS BASED ON WILLFUL MISCONDUCT AND AS OTHERWISE SET FORTH HEREIN, NEITHER PARTY WILL BE LIABLE TO THE OTHER, OR TO ANY OTHER PERSON FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, EXEMPLARY, OR INCIDENTAL DAMAGES, INCLUDING, WITHOUT LIMITATION, LOSS OF ANTICIPATED REVENUES OR PROFITS, ARISING FROM ANY CLAIM RELATING TO THIS AGREEMENT OR THE INTELLECTUAL PROPERTY LICENSED UNDER THIS AGREEMENT, WHETHER SUCH CLAIM IS BASED ON CONTRACT, TORT, STATUTE, OR OTHER LEGAL THEORY, EVEN IF A REPRESENTATIVE OF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OR LIKELIHOOD OF SAME. LICENSOR SHALL BE LIABLE TO LICENSEE FOR THE USE OR APPLICATION BY LICENSEE OF ANY INFORMATION, TECHNOLOGY, SYSTEMS, OR INTELLECTUAL PROPERTY PROVIDED BY LICENSOR THAT INFRINGES ANY THIRD PARTY INTELLECTUAL PROPERTY RIGHTS.

XIV. Term

The Term of this Agreement shall be deemed to have commenced on the Effective Date and shall remain in effect until the termination of this Agreement as provided herein. The licenses herein to Trademarks, Know-How, Trade Secrets, and Other Intellectual Property shall survive the expiration or termination of this Agreement.

XV. Bankruptcy

Bankruptcy or Insolvency In the event that LICENSOR becomes insolvent or declares bankruptcy, the licenses granted herein and all associated terms and conditions shall remain in full effect, and LICENSEE shall be entitled to all protections provided by 11 U.S.C. § 365(n) of U.S. Federal Bankruptcy Code, for which the present Agreement shall be considered to be an executory contract. In the event of the bankruptcy or insolvency of LICENSEE, this Agreement shall terminate, and all licenses hereunder shall be automatically null and void.

XVI. Indemnification

LICENSEE agrees to indemnify and hold harmless LICENSOR from and against any and all claims, demands, actions, causes of action, losses, and expense (including reasonable attorneys' fees) resulting from any suit, demand, or claim by any third party alleging facts or circumstances which involve any negligent act or omission by LICENSEE or any breach by LICENSEE of any obligation imposed upon it pursuant to this Agreement.

LICENSOR agrees to indemnify and hold harmless LICENSEE from and against any and all claims, demands, actions, causes of action, losses, and expense (including reasonable attorneys' fees) resulting from any suit, demand, or claim by any third party alleging facts or circumstances which involve any infringement of intellectual property of the third party resulting from LICENSEE'S use of the Licensed Products and Licensed Technology pursuant to this Agreement.

XVII. Export

The parties acknowledge that the intellectual property licensed under this Agreement may be subject to export controls under the laws of the various countries of the Licensed Territory. This Agreement is expressly made subject to any relevant laws, regulations, orders or other restrictions regarding transfer of information/technology within the Territory. Each Party shall comply with all such laws, regulations, orders, or other restrictions and agrees not to knowingly export, re-export or transfer information/technology without first obtaining all required authorizations or licenses.

XVIII. Notice

Any notice required or permitted to be given under this Agreement shall be sufficient if: (i) in writing and sent by first class mail with postage prepaid to the Party to whom the same is directed at the address noted below; (ii) sent by facsimile and confirmation of receipt thereof is documented; or (iii) sent by electronic mail and confirmation of receipt thereof is documented. The effective date for notices sent by first class mail shall be ten (10) business days after deposit in the mail and the effective date of a notice sent via facsimile shall be the date shown on the confirmation receipt. Either Party may change its address for purposes of the Agreement by giving the other Party notice in writing of the new address.

LICENSEE		LICENSOR	
Name:	AgriFORCE Growing Systems Ltd	Name:	Radical Clean Solutions Ltd
Address:	300-2233 Columbia Street, Vancouver, BC V5Y 0M6 Canada	Attention:	Roger M. Slotkin CEO
Email:	office@agriforcegs.com	Address:	82 Pacific Blvd. Long Beach NY 11561 USA
Fax:	n/a	Email:	rsmgtny@gmail.com
With a copy to:		With a copy to:	
Name:	Ingo Mueller	Name:	Leslie Marlow
Title:	CEO	Title:	Attorney
Address:	300-2233 Columbia Street, Vancouver, BC V5Y 0M6 Canada	Address:	200 Broadhollow Rd. Melville, NY 11747
Email:	imueller@agriforcegs.com	Email:	lmarlow@gracinmarlow.com
Fax:	n/a	Fax:	n/a

XIX. Enforceability

If any term, covenant, condition, or provision hereof is deemed illegal or unenforceable, the remainder of the Agreement shall not be affected thereby and each remaining term, covenant, condition, and provision shall be valid and enforceable to the fullest extent permitted by law. The invalid term, covenant, condition, or provision shall be replaced with a valid provision that is closest in financial terms to that which the parties attempted to achieve with the invalid provision.

XX. Governing Law

This Agreement shall be construed, enforced and governed in accordance with the laws of the Province of British Columbia and federal laws of Canada, without regard to principles of conflicts of laws. Any disputes relating to this Agreement shall be subject to the exclusive jurisdiction of the provincial courts of British Columbia or the Federal Court of Canada, and LICENSEE and LICENSOR hereby waive any ability to challenge such jurisdiction.

XXI. Entire Agreement

This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof. All prior agreements between the parties, whether written or oral, are merged herein and shall be of no force or effect.

XXII. Amendments

This Agreement may only be changed, modified, or discharged by an amendment in writing, signed by the Party against whom enforcement of the change, modification, or discharge is sought.

XXIII. Assignment

The rights and licenses granted by LICENSOR in this Agreement are personal to LICENSEE and may not be assigned or otherwise transferred without the written consent of LICENSOR. Any attempted assignment or transfer without such consent shall be void and shall automatically terminate all rights of the LICENSEE under this Agreement.

The rights and licenses granted by LICENSEE in this Agreement are personal to LICENSOR and may not be assigned or otherwise transferred without the written consent of LICENSEE. Any attempted assignment or transfer without such consent shall be void and shall automatically terminate all rights of the LICENSOR under this Agreement.

XXIV. Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, all of which constitute one and the same agreement. The Agreement shall not enter into effect until both parties have executed the Agreement.

IN WITNESS WHEREOF, the parties hereto have, through their duly authorized representatives, executed this Agreement below.

LICENSEE

LICENSOR



Print Name: Ingo Mueller

Print Name: Roger M. Slotkin

Title: CEO, AgriFORCE Growing Systems

Title: CEO

Date: February 18, 2022

Date: February, 2022

APPENDIX A – LICENSED PATENTS

PROACTIVE AIR/SURFACE DECONTAMINATION SYSTEM AND DEVICES

- Original omnibus Patent Application serial number 17/545,919 filed December 8, 2021
- Aircraft Patent application serial number 17/590,270 filed February 1, 2022.
- Agricultural Greenhouse Utility Patent file 320202 (filing receipt to follow)

APPENDIX B – TRADEMARKS

Trademarks to be used in the Territory and Field of Use

	TRADEMARK
1	RADICAL CLEAN SOLUTION LTD.
2	AN IMMUNE SYSTEM FOR YOUR ENVIRONMENT

2.0 BUSINESS ETHICS

2.1 Company Ethics & Conduct

The successful business operation and reputation of AgriFORCE is built upon the principles of fair dealing and ethical conduct of our employees. Our reputation for integrity and excellence requires careful observance of the spirit and letter of all applicable laws and regulations, as well as the highest regard for standards of conduct and personal integrity.

The continued success of AgriFORCE is dependent upon our customers' trust and we are dedicated to preserving that trust. Employees owe a duty to AgriFORCE and its customers to act in a way that will merit the continued trust and confidence of our customers and the public in general.

AgriFORCE will comply with all applicable laws and regulations and expects its directors, officers, and employees to conduct business in accordance with the letter, spirit, and intent of all relevant laws and to refrain from any illegal, dishonest, or unethical conduct.

In general, the use of common sense and good judgment, together with our core values, will guide you with respect to lines of acceptable conduct. If a situation arises where it is difficult to determine the proper course of action, the matter should be discussed openly with your immediate supervisor, a member of senior management, or Human Resources for advice and consultation, if necessary.

Compliance with this policy of business ethics and conduct is the responsibility of every AgriFORCE employee. Disregarding or failing to comply with this standard of business ethics and conduct may lead to disciplinary action, up to and including termination of employment.

Employees must report violations of this policy, or any of the policies in the Business Ethics section, to their immediate supervisor, a member of senior management, or Human Resources.

2.2 Employment Equity

AgriFORCE is committed to providing equal employment opportunity for all employees and applicants for employment. The company does not discriminate in employment opportunities or practices on the basis of race, colour, religion, sex, marital status, family status, age, place of origin, ancestry, physical disability, mental disability, political belief, sexual orientation, or any other grounds protected by the laws or regulations of any jurisdiction in which we operate. We base all employment decisions – including recruitment, selection, training, compensation, benefits, discipline, promotions, transfers, terminations, and social/recreational programs – on merit and the principles of equal employment opportunity.

Our employees have diverse backgrounds, skills and ideas that collectively contribute to greater opportunities for innovation. Our recruitment strategy is designed to attract a diverse pool of talent so that we may select the best candidates and open doors at all levels of this organization.

2.3 Conflict of Interest

Everyone working at AgriFORCE has an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. This policy establishes the framework within which AgriFORCE wishes the company to operate. The purpose of these guidelines is to provide general direction so that team members can seek further clarification on issues regarding conflict of interest.

An actual or potential conflict of interest occurs when someone on the team is able to influence a decision that may result in a personal gain for that individual or for a relative because of AgriFORCE's business dealings. For the purposes of this policy, a relative is any person who is related by blood or marriage or whose relationship with anyone working in the company is like that of persons who are related by blood or marriage.

If an employee has any influence on transactions involving purchases, contracts, or leases, it is imperative that they disclose to their supervisor, as soon as possible the existence of any actual or potential conflict of interest so that safeguards can be established to protect all parties.

Personal gain may result not only in cases where an employee or relative has a significant ownership or other interests in a business with which AgriFORCE does business, but also when an employee or relative receives any kickback, bribe, substantial gift, or special consideration as a result of any transaction or business dealings involving AgriFORCE.

2.4 Gifts

AgriFORCE employees (or immediate family members) are not permitted to give or accept gifts, services, discounts, favours, loans personal discounts and similar gratuities offered to you because of your position at AgriFORCE. This applies to or from individuals or companies who are doing business or would like to do business with AgriFORCE. Items of modest value may be permitted if they are not given or received on a regular or frequent basis, provided that the gift is reported to the CEO or the Chair of the Audit Committee and they do not advise that retaining the gift would be inappropriate. This does not apply to officially approved corporate rebates.

2.5 Entertainment

You must not encourage or solicit entertainment from any individual or company with whom AgriFORCE does business. Entertainment includes, but is not limited to, activities such as dining, attending sporting or other special events, and travel. From time-to-time employees may accept unsolicited entertainment, but only under the following conditions:

1. the entertainment occurs infrequently,
2. it arises out of the ordinary course of business,
3. it involves reasonable expenditures (the amounts involved should be such as employees, officers and Directors are accustomed to normally spending for their own business or personal entertainment) and
4. the entertainment takes place in settings that also are reasonable, appropriate, and fitting to employees, officers and Directors, their hosts, and their business at hand.

2.6 Anti-Bribery and Anti-Corruption

Part of behaving ethically means that you should never participate in any corrupt activities and that you comply with all applicable Anti-Bribery and Anti-Corruption laws and regulations of each jurisdiction in which AgriFORCE conducts business. AgriFORCE does not permit providing payments, kickbacks, gifts, or anything else of significant value for the purpose of improperly influencing third parties. Even if the intent is not to influence, you should not provide a payment or benefit to any third party if it could appear to be improper.

AgriFORCE can be held responsible for improper payments and benefits provided by agents, contractors, suppliers and other third parties acting on its behalf. You must ensure that you only deal with legitimate, reputable parties, and that they understand their obligation not to provide such improper payments or benefits in connection with the business they conduct for AgriFORCE.

2.7 Confidentiality

All employees are required to keep all AgriFORCE's financial, operational and business information acquired while working at AgriFORCE; secure and confidential. Business strategies and plans, including technologies and products used, are AgriFORCE intellectual property. Employees must not discuss details of AgriFORCE's financial, business operations, plans or strategies with any third party including the media, family or friends, or at social or public functions, and should direct all inquiries to the CFO. Any employee who divulges confidential information may be subject to disciplinary action, up to and including termination.

2.8 Disclosure, Confidentiality, and Insider Trading

At times you may find that you are in possession of material non-public information regarding AgriFORCE and/or a competitor or supplier. Material non-public information is any information that could reasonably be expected to alter the value of a company's security (ies) if it were made public. Securities laws in both Canada and the United States provide that it is illegal to trade on such information or disclose it to others. These laws are extensive and complex, and violation of these laws may lead to civil and criminal actions against you.

If you find yourself in possession of such information, you and your immediate family members are prohibited from trading in those securities until such time as the information becomes public or you are notified by your manager that restrictions are no longer in place.

The purchase and sale of AgriFORCE securities may only be done in accordance with the AgriFORCE Insider Trading Policy. The Policy also addresses legal prohibitions against trading with knowledge of undisclosed material information, tipping, market manipulation or fraud and insider trade reporting requirements. Violations of such requirements may also have severe consequences, including fines, imprisonment and civil liability and may subject the individual to disciplinary action by the Corporation, up to and including termination. Employees, Officers, and Directors who engage in insider trading may also be accountable to AgriFORCE for any benefit or advantage received as a result.

Please refer to the AgriFORCE Insider Trading Policy provided as an Appendix to this Handbook for more detailed information on this subject. The AgriFORCE Insider Trading Policy requires your signature separate from the Handbook Acknowledgement.

2.9 Whistleblower Policy

Employees are often the first to have concerns that there may be something wrong or unethical occurring within the organisation in which they work. However, they may feel that their concerns cannot be openly expressed, because it may be disloyal to colleagues; their concerns may not be taken seriously; or it may be easier to ignore their concern.

As a means of reinforcing AgriFORCE's commitment to the highest standards, this 'Whistle-blowing Procedure' serves to help build the commitment of all employees, by providing a means of identifying and eliminating unethical practices within the workplace. The 'Whistle-blowing Procedure' provides an effective mechanism for employees to report potential concerns (confidentially and anonymously, if required), in the knowledge that genuine concerns will be appropriately investigated and resolved, without fear of discrimination or victimisation.

Please refer to the separate Whistleblower Policy document for more detail.

2.10 Anti-Retaliation Provisions

Retaliation against any employee, who in good faith seeks advice, raises a concern, reports misconduct, or provides information in an investigation will not be tolerated and will itself be considered a violation of AgriFORCE Business Ethics. Some examples of retaliation include denial of benefits, termination, demotion, suspension, threats, harassment, or discrimination. If any individual retaliates against an employee who has truthfully and in good faith reported a potential violation, AgriFORCE will take appropriate action. However, if an individual has intentionally made a false report, the Company will respond accordingly. For more details, please refer to the AgriFORCE Whistleblower Policy.

If you believe that you or another employee has been retaliated against for (in good faith) seeking advice, raising a concern, reporting misconduct, or providing information in an investigation, please advise your immediate manager, Human Resources, the AgriFORCE CEO or the Chairman of the Audit Committee of the AgriFORCE Board. All reports will be handled promptly and confidentially.

2.11 Outside Employment

While not encouraged, should employees wish to engage in outside employment, in addition to their full-time position at AgriFORCE, we request that:

- such outside employment does not interfere in any way with the employee's work performance or hours of employment with the Company;
- such employment is non-competitive with the business activities of the Company; and
- such employment has no possible conflict of interest with the employee's position at the Company.

All employees are reminded that they have signed an agreement which legally prohibits them from passing on the Company's ideas and work methods to other organizations. Employees may not use Company property, equipment, facilities, or time in connection with outside employment.

If it is deemed that, because of outside employment, an employee is repeatedly late, unable to work overtime, or unable to successfully fulfill the obligations of their position at AgriFORCE, it may result in disciplinary action, up to and including termination.

2.12 Off Duty Conduct Policy

In general, how employees decide to lead their lives when they are off duty is a private matter. However, the way in which employees conduct and present themselves off-duty can also have a significant impact on AgriFORCE its business, reputation, products, customer relations and workplace environment. Accordingly, while the Company respects your personal freedoms, it also has a legitimate interest in establishing standards of off duty conduct and holding workers accountable for following those standards, including using discipline where necessary.

Off-duty conduct will be considered a work-related matter subject to discipline if it:

- harms the Company's reputation or products;
 - has consequences that render you unable to perform your job or any part of your job effectively;
 - leads other workers to refuse, be reluctant to or unable to work with you;
 - makes you guilty of a serious breach of the Criminal Code of Canada/Title 18 of the United States Code or;
 - makes it difficult for the Company to manage its operations and/or direct its workforce efficiently.
-

Violations of the Company's off-duty standards of conduct that meet the above criteria will be treated like a disciplinary infraction committed on-duty and subject to discipline up to and including termination.

You must report to your supervisor as soon as possible if you are arrested, detained, or charged with a violation under the Criminal Code of Canada/Title 18 of the United States Code or other Canadian/US laws related to your official duties.

2.13 Board Participation and Involvement with Other Companies

For any employee who wishes to participate on a for-profit, or not-for-profit board, these involvements must be approved by the CEO. All Directors should notify the Chair of the Audit Committee of all other board engagements and seek approval before assuming additional Board roles. You may not be a Director, officer, partner or consultant of an organization (other than an organization in which AgriFORCE holds an interest or in which AgriFORCE has the right to nominate a Director, officer, partner or consultant) doing or seeking to do business with AgriFORCE, nor may you permit your name to be used in any way indicating a business connection with such an organization, without appropriate prior written approval of the AgriFORCE CEO, in the case of an employee, and of the Chair of the Governance and Nominating Committee in the case of an officer or Director of AgriFORCE.

2.14 AgriFORCE Property

Employees are responsible for and are expected to take proper care of all AgriFORCE property, materials, or written information issued to them or in their possession or control.

Upon request of the Company or upon termination or expiration of employment, the employee will turn over to the Company all property belonging to the Company including all confidential information belonging to the Company, including but not limited to, all documents, plans, specifications, disks, or other computer media, as well as any duplicates or backups made of that Confidential Information in whatever form or media, in the possession or control of the employee that:

- may contain or be derived from ideas, concepts, creations, or trade secrets and other proprietary and confidential information; or
 - is connected with or derived from the employee's employment with AgriFORCE Growing Systems Ltd.
-

2.15 Copyright and Protection of Intellectual Property

Employees are not entitled to any copyright or moral right in or arising from any work they produce in the course of their employment with AgriFORCE. This includes any program, strategy, design, or system they develop during their employment with the Company. Any copyright or merchandising rights in such work shall be the sole and exclusive property of AgriFORCE in accordance with the Canadian and International Copyright Acts.

2.16 Public Reporting and Retention of Records

Depending on your position with AgriFORCE, you may be called upon to provide necessary information to ensure that the Company's public reports are complete, fair and understandable. AgriFORCE expects you to take this responsibility very seriously and to provide prompt accurate answers to inquiries related to AgriFORCE public disclosure requirements.

Employees are required to ensure that all records are kept confidential and meet regulatory and legal requirements in the jurisdiction in which they are created and/or maintained. Destruction of records can only take place if they are not required for any pending legal matters. If you are unclear on what documents may be discarded, contact company legal counsel, or speak to your manager.

2.17 Non-Solicitation

During the employee's term of employment with AgriFORCE and for a period of twelve (12) months after the end of that term, the employee will not in any way, directly or indirectly:

- induce or attempt to induce any employee or contractor of the Employer to quit employment or retainer with AgriFORCE;
- otherwise interfere with or disrupt AgriFORCE's relationship with its employees and contractors;
- discuss employment opportunities or provide information about competitive employment to any of AgriFORCE's employees or contractors; or
- solicit, entice, or hire away any employee or contractor of AgriFORCE for the purpose of an employment opportunity that is in competition with AgriFORCE.

This non-solicitation obligation as described above will be limited to employees or contractors who were employees or contractors of AgriFORCE during the period that the employee was employed by AgriFORCE.

During the term of the employee's active employment with AgriFORCE, and for one (1) year thereafter, the employee will not divert or attempt to divert from AgriFORCE any

business AgriFORCE had enjoyed, solicited, or attempted to solicit, from its customers, prior to termination or expiration, as the case may be, of the employee's employment with AgriFORCE.

2.18 Contract Binding Authority

Unless authorized in writing by AgriFORCE, employees do not have the authority to enter any contracts or commitments for or on the behalf of the Company. AgriFORCE will maintain a list of delegated authorities in this regard.

AgriFORCE Growing Systems Ltd. LIST OF SUBSIDIARIES:

Daybreak Ag Systems Ltd.

Canivate Growing Solutions Ltd.(Defunct)

AgriFORCE Investments Inc.

West Pender Holdings Inc.

AGI IP Co.

West Pender Management Co.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of AgriFORCE Growing Systems Ltd. on Form S-8 File No. 333-259052 of our report dated March 29, 2022, which includes an explanatory paragraph as to the Company's ability to continue as a going concern, with respect to our audits of the consolidated financial statements of AgriFORCE Growing Systems Ltd. as of December 31, 2021 and 2020 and for the years ended December 31, 2021 and 2020, which report is included in this Annual Report on Form 10-K of AgriFORCE Growing Systems Ltd. for the year ended December 31, 2021.

/s/ Marcum LLP

Marcum LLP
Costa Mesa, California
March 29, 2022

**CERTIFICATION PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14 and 15d-14
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ingo Mueller, Chief Executive Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K of AgriFORCE Growing Systems Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2022

/s/ Ingo Mueller

Ingo Mueller
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14 and 15d-14
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard Wong, Chief Financial Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K of AgriFORCE Growing Systems Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2022

/s/ Richard Wong

Richard Wong
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of AgriFORCE Growing Systems Ltd. (the “Company”) for the period ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, the undersigned, Ingo Mueller, as the Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 29, 2022

/s/ Ingo Mueller

Ingo Mueller
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of AgriFORCE Growing Systems Ltd. (the "Company") for the period ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, the undersigned, Richard Wong, as the Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 29, 2022

/s/ Richard Wong

Richard Wong
Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document.
