

**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, 2022.**

or

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

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)

Not Applicable
(I.R.S. Employer
Identification No.)

**300 – 2233 Columbia Street
Vancouver, BC, Canada**

(Address of principal executive offices)

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 aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 30, 2022 was approximately \$28,755,938. Shares of the registrant’s common stock held by each officer and director and each person known to the registrant to own 10% or more of the outstanding voting power of the registrant have been excluded in that such persons may be deemed affiliates. This determination of affiliate status is not a determination for other purposes.

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 13, 2023, the registrant has 18,156,154 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™” or the “Company”) 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™ 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.

Our Business

AgriFORCE™ is dedicated to positively transforming farm, food, and family every day, everywhere. We aim to achieve this goal by providing novel agriculturally focused consulting, facility solutions, and products & services through our Solutions division, and by leveraging innovative technologies and processes to deliver healthier more nutritious food to consumers through our Brands division.

The AgriFORCE™ Solutions division is dedicated to transforming modern agricultural development “Building from the Seed to Deliver sustainable, Efficient, and Healthier crops” through our integrated Agtech platform 2.0 combining knowledge and IP with CEA equipment solutions, including our FORCEGH+™ solution, implementing solutions that are best suited to the crops and environment chosen.

Our AgriFORCE™ Brands division is focused on the development and commercialization of plant-based ingredients and products that deliver more nutritious “Food to Table”. We will market and commercialize both branded consumer product offerings and ingredient supplies.

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).

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⁾.

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 high value crop 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>

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 in the US capital markets environment at this time.

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 patented facility design and hydroponics based automated growing system that enable cultivators to effectively grow crops in a controlled environment (“FORCEGH+™”). The Company has designed FORCEGH+™ facilities 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 continues to develop its solution for fruits and vegetables focusing on the integration of its current structure with a new form of vertical grow technology.

BUSINESS PLAN

PHASE 1 (COMPLETED):

- Conceptualization, engineering, and design of facility and systems. *(complete)*
- Completed selection process of key environmental systems with preferred vendors. *(complete)*
- Selection and Land Purchase agreement in Coachella, CA subject to financing. *(complete)*
- ForceFilm material ordered. *(complete)*

PHASE 2:

- Complete the timing of financing for, and purchase of, the selected parcel in Coachella, CA, subject to market conditions,
- Complete feasibility study for new contracts’ structures for facilities with new independent operators.
- Identify 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.
- Initiate the design of an R&D facility for food solutions and plant-based pharma.

PHASE 3:

- Complete the delivery and installation of facilities. Proof of quantitative and qualitative benefits will drive both sales pipeline acceleration for subsequent years.
- Complete the design of an R&D facility for food solutions and plant-based pharma. Commence engagement with universities and pharmaceutical companies.
- Review potential licensing opportunities for the Solutions patent portfolio.

PHASE 4:

- Focus on delivery and installation of additional facilities.
- Expand geographic presence into other geographies by introducing the FORCEGH+™ to other international markets with a view to securing additional locations and markets.

AgriFORCE™ Brands

The Company purchased Intellectual Property (“IP”) from Manna Nutritional Group, LLC (“Manna”), a privately held firm based in Boise, Idaho on September 10, 2021. The IP encompasses a granted patent to naturally process and convert grain, pulses and root vegetables, resulting in low-starch, low-sugar, high-protein, fiber-rich baking flour as well as produces a natural sweetener juice. The core process is covered under the Patent Nr. 11,540,538 in the U.S. and key international markets. The all-natural process is designed to unlock nutritional properties, flavors 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.

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 (~ 2-3%), low-to-average in protein (~ 9%), and very high in starch (~ 75%)⁽⁴⁾. Whole wheat flour is only marginally better.

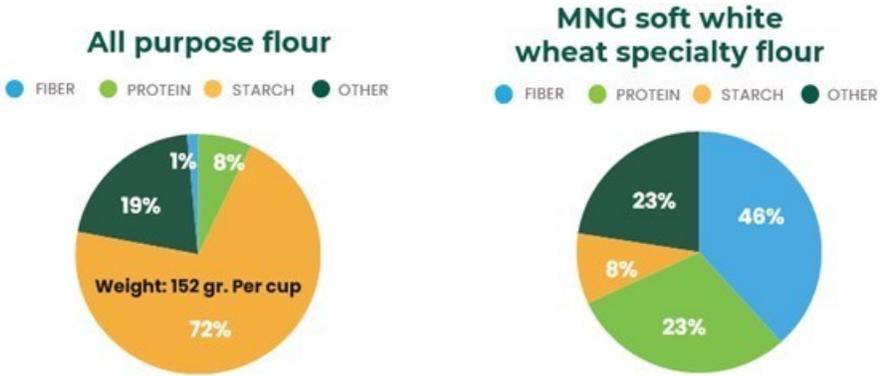
(4) Based on protein, fiber, and starch content figures from a nationally certified independent laboratory, as compared to standard all-purpose flour.

In contrast, foods high in fiber help to satiate hunger, suppress cravings and raise metabolism⁽⁵⁾. They also assist in weight loss, lower cholesterol, and may reduce the risk of cancer, heart disease and diabetes.

Advantages of the UN(THINK)TM Foods IP

The Controlled Enzymatic Reaction & Endothermic Saccharification with Managed Natural Germination (“CERES-MNG”) patented process allows for the development and manufacturing of all-natural flours that are significantly higher in fibers, nutrients and proteins and significantly lower in carbohydrates and calories than standard baking flour.

CERES-MNG baking flour produced from soft white wheat has 40 times more fiber, three (3) times more protein and 75% less net carbohydrates than regular all- purpose flour⁸ (6).



Source: Independent analysis by Eurofins Food Chemistry Testing Madison, Inc, February 2022

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

(5) <https://my.clevelandclinic.org/health/articles/14400-improving-your-health-with-fiber>

(6) Based on protein, fiber, and starch content figures from a nationally certified independent laboratory, as compared to standard all-purpose flour.

Products that AgriFORCE™ intends to develop for commercialization from the CERES-MNG patented process under the UN(THINK)™ foods brand:

- 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 three (3) main sales channels:

- Ingredients
- Branded ingredients
- Consumer brand

The business opportunity for AgriFORCE™ to successfully commercialize premium specialized products from the UN(THINK)™ foods 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 2030 (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.

While we are working on setting up a pilot plant in Canada to produce the UN(THINK)TM power wheat flour for the end of 2023, our patented process allows us to develop a gold-standard sprouted wheat flour, which we have qualified and have made available for sale through brokers as of January 2023 in Canada and the USA, under the UN(THINK)TM Awakened GrainsTM brand. This new Awakened GrainsTM flour will provide enhanced nutrition with over five times more fiber, up to two times more protein and 77% of net carbs versus conventional all purpose flour (source: Eurofins Food Chemistry Madison, Inc, December 2022).

BUSINESS PLAN

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

PHASE 1 (COMPLETED):

- Product and process testing and validation. (*completed*)
- Filing of US and international patent. (*completed*)
- Conceptual engineering and preliminary budgeting on commercial pilot plant. (*completed*)
- Creation of the UN(THINK)TM foods brand. (*completed*)
- Qualification and operational and commercial set up of the Awakened GrainsTM line of products (*completed*)

PHASE 2:

- Launch of the UN(THINK)TM Awakened GrainsTM sprouted flour range of products in business to business (“B2B”) and direct to consumers (“D2C”) channels.
- Design, build, start-up, and operation of the pilot plant for the fully processed and patented flours
- Develop range of finished products behind the wheat grain flours, qualify patented process for pulse/legume, and rice based protein flours.
- Collaborate with Nutritional Flour Medical Research Institute (an IRS section 501(c)(3) Medical Research Organization) funded by private & public research grants.

PHASE 3:

- Launch first range of fully patent processed products in US/Canada (UN(THINK)TM power wheat flour.
- Drive business with finished products in 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:

- Expand product range in US/Canada.
- Expand business to other geographies internationally.
- Design, build, start-up, and operation of large-scale processing plan.

Merger and Acquisition (“M&A”)

With respect to M&A growth, the Company is aggressively pursuing acquisitions in the agriculture technology space. 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.

Manna Nutritional Group Asset Acquisition

On September 10, 2021, the Company signed a definitive asset purchase agreement to acquire food production and processing IP from Manna.

On May 10, 2022, the Company completed an amendment to its asset purchase agreement with Manna Nutritional Group LLC, dated September 10, 2021. The amendment required the issuance of prefunded warrants instead of shares over several tranches and contained covenants to obtain shareholder approval of the acquisition transactions before the prefunded warrants can be exercised into Company common shares.

The transaction was fully approved by the shareholders on December 15, 2022. The Company paid consideration of \$1,475,000 in cash and issued 7,379,969 prefunded warrants valued at \$12,106,677 adjusted for foreign exchange differences of \$492,300. Subject to a 9.99% stopped and SEC Rule 144 restrictions, the prefunded warrants will vest in tranches up until March 10, 2024. When vested the tranches of prefunded warrants will be converted into an equal number of common shares.

Delphy Groep BV Acquisition

On February 10, 2022, the Company signed a definitive share purchase agreement (the “**Delphy Agreement**”) to acquire Delphy, a Netherlands-based AgTech consultancy firm, for €23.5 million through a combination of cash and stock. The definitive agreement follows the binding letter of intent 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, 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. The Delphy Agreement was negotiated at arm’s length and is not a related party transaction.

On September 22, 2022, the Company entered an amendment to the Delphy Agreement, pursuant to which the parties agreed to reduce the total purchase from €\$23.5 million to €17.7 million, plus a potential earnout of up to €6.0 million over two (2) years, based on achieving future performance milestones. The Company also agreed to pay interest in the amount of €0.2 million on the purchase price and additional interest from November 15, 2022 up to January 15, 2023 (the “Long Stop Date”).

Management is currently in negotiating an amendment which will extend the Long Stop Date past January 15, 2023. Neither party has provided notice to terminate the agreement.

Deroose Plants NV Binding Letter of Intent

On February 23, 2022, the Company signed a binding letter of intent (the “Deroose 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 Deroose 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 €61 million. The purchase price represents approximately €41 million for the Deroose business on a cash and debt free basis and €20 million for the genetic IP portfolio.

The parties are working through the Letter of Intent. Neither party has provided notice to terminate the agreement.

Stronghold Land Acquisition

On August 30, 2022, the Company entered into a Purchase and Sale Agreement (“PSA”) with Stronghold Power Systems, Inc. (“Stronghold”) to purchase approximately 34 acres of land in Coachella California. The purchase price is \$4,300,000, payable as follows: (i) \$1,500,000 in cash and (ii) \$2,800,000 in restricted shares of common stock of the Company. The stock is being issued in the form of prefunded warrants in two tranches: (i) \$1,700,000 (695,866 prefunded warrants) issued within five days of entry into the PSA, and (ii) \$1,100,000 (450,266 prefunded warrants) at closing of the transaction. The first tranche shall be void if closing of the transaction does not occur by March 31, 2023. The prefunded warrants per share exercise price is \$2.443 which is subject to certain adjustments. Issuance of all securities in this transaction are exempt from registration under Section 4(a)(2) of the Securities Act of 1933, as amended. Under the terms of the agreement, Stronghold must complete certain permitting, zoning, and infrastructure work by March 31, 2023, to close the transaction.

Corporate Structure

The Company currently has the following wholly-owned subsidiaries, which perform the following functions – AgriFORCE Investments holds the Company’s U.S. investments, West Pender Holdings retains real estate assets, West Pender Management is a management company, AGI IP holds the Company’s intellectual property in the U.S., un(Think) Food Company will manufacture food products in the U.S. and un(Think) Food Company Canada Ltd. manufactures food products in Canada:

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
un(Think) Food Company	Nevada	June 20, 2022
un(Think) Food Company Canada Ltd.*	British Columbia	December 4, 2019

* un(Think) Food Company Canada Ltd. changed its name from Daybreak AG Systems Ltd. during the year ended December 31, 2022.

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. Significant milestones during this period are as follows:

- The Company has substantially finalized the final design and engineering drawings for the FORCEGH+™.
- 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 (“SOP”)s of the FORCEGH+™

and Humboldt is responsible for securing the project's land as well as operating the facility. 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 a patent pending product line consisting of smart hydroxyl generation systems to eliminate 99.99+% of all pathogens, virus, mold, volatile organic compounds and allergy triggers, to commercialize the proprietary hydroxyl generating devices within the controlled environment agriculture (“CEA”) and food manufacturing industries. The license grants the rights to AgriFORCE™ in perpetuity as well as joint patent ownership rights for application in CEA. The Company has been working on commercializing these devices for food manufacturing plants, greenhouses, vertical growing facilities, as well as food, storage, and produce transportation. This is with a goal to drive food security, improve product freshness, and lengthen shelf-life.
- On May 18, 2022, the Company completed the acquisition of the food processing intellectual property of Manna Nutritional Group (Manna).

Financing

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 was 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.

On June 30, 2022, the Company entered into security purchase agreements with certain accredited investors (the “Convertible Debt Investors”) for the purchase of \$14,025,000 in convertible debentures (the “Debentures”) due December 31, 2024. The interest rates on the Debentures are 5% for the first 12 months, 6% for the subsequent 12 months, and 8% per annum thereafter. Principal repayments will be made in 25 equal monthly installments and began on September 1, 2022. The Debenture may be extended by six months at the election of the Company by paying a sum equal to six months interest on the principal amount outstanding at the end of the 18th month, at the rate of 8% per annum. The Debentures are convertible into common shares at \$2.22 per share. The Convertible Debt Investors have the right to purchase additional tranches of \$5,000,000 each, up to a total additional principal amount of \$33,000,000. In addition, the Convertible Debt Investors received 4,106,418 warrants at a strike price of \$2.442, which expire on December 31, 2025 (the “Debenture Warrants”). The Debenture Warrants and Debentures each have down round provisions whereby the conversion and strike prices will be adjusted downward if the Company issues equity instruments at lower prices. On January 17, 2023, the Convertible Debt Investors purchased an additional tranche of \$5,076,923. The convertible debt and warrants were issued with an exercise price of \$1.24. The issuance of the additional tranche triggered the down round provision, adjusting the exercise prices of the Debentures and the Debenture Warrants to \$1.24.

Intellectual Property

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.

Patents

We hold seven (7) patents in the United States and 15 international patents. We also have 18 pending patent applications. These patents and patents applications are directed to, among other things, technologies planned to be utilized in FORCEGH+™ and UN(THINK)™ foods.

Competitor Comparison and Differentiation

Solutions

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.

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.

Brands

Our patented technology naturally processes and converts grains, pulses, and root vegetables into low-starch, low-sugar, high-protein fiber-rich baking flour products. The Company is developing a range of consumer products to transform the consumers' diet in multiple verticals.

The Company's UN(THINK)TM power flour has 40 times more fiber, 3 times more protein, and 75% less net carbs than regular all-purpose flour⁸.

(8) Based on protein, fiber, and starch content figures from a nationally certified independent laboratory, as compared to standard all purpose flour.

Recent Developments

Convertible Debt Financing

On January 17, 2023, the Convertible Debt Investors purchased an additional tranche of \$5,076,923 in convertible debentures and received 2,661,289 warrants. The convertible debt and warrants were issued with an exercise price of \$1.24. The issuance of the additional tranche triggered the down round provision, adjusting the exercise prices of the Debentures and the Debenture Warrants to \$1.24.

Berry People LLC Binding Letter of Intent

On January 24, the Company announced it has entered into a binding letter of intent ("BP LOI") to acquire Berry People LLC, ("Berry People"), a berry business with an increasingly international footprint and a scalable business model. The acquisition bolsters the AgriFORCETM Brands division and allows the Company to realize commercial synergies with UN(THINK)TM.

Berry People was founded in 2017 by berry industry veterans to create a new platform to meet market demand for a branded, year-round supply of organic and conventional berries. Berry People quickly established a recognized global trade brand and scalable operations, comprised of over 200 retail and foodservice clients and over 100 grower and exporter clients across the US, Canada, Mexico, and Peru. Berry People had net revenues of USD \$37 (unaudited) million for the year ended December 31, 2022.

The LOI states, among other things that:

- the transaction will be subject to completion of due diligence to the Company's satisfaction and, after satisfactory due diligence, the reaching of agreement on the terms of the purchase pursuant to a definitive purchase agreement, including conditions precedent for closing of the transaction;
- the parties will sign the definitive purchase agreement no later than April 30, 2023, unless agreed to by both parties; and
- Berry People will not enter into any negotiations with other parties for a period of three months following the execution of the BP LOI.

The BP LOI sets forth a purchase price of \$28.0 million, consisting of \$18.2 million in cash and \$9.8 million in AgriFORCE™ restricted shares, will be paid at closing to acquire 70% of Berry People's equity interests. Berry People will have the opportunity for future earnouts during the five years after closing based on future revenue and EBITDA targets associated with agreed upon growth targets.

In collaboration with AgriFORCE™, Berry People aims to further develop backward integration into agricultural production via farming joint ventures and deploy licensed and developed IP as part of a scalable franchising model. The berries market was \$9.65 billion in 2021 in the U.S. alone⁷, with growth rates of around 10% or more each year since 2019—a trend that is expected to continue.

(7) As per IRI Integrated Fresh, Latest 52 WE 3/20/2022

Manna Patent Issuance

On January 3, 2023, Manna satisfied all its contractual obligations when the patent was approved by the US Patents Office and title was transferred to the Company. The Company issued 1,637,049 shares upon exercise of vested tranches of Manna's prefunded warrants in relation to this transaction on January 3, 2023.

Employees

As of March 13, 2023, the Company has 15 employees and three 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, USA and Saskatoon, Canada. The Company's head office is located in Vancouver, Canada.

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.

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 in the design and development of its CEA FORCEGH+™ facility which incorporates the Company's AgriFORCE™ micropropagation laboratories, acquisition and advancement of the UN(THINK)™ foods IP, product base, development of its pilot plant, and transacting with potential revenue generating acquirees. While the Company has invested considerably in these business plans, no FORCEGH+™ facility has been constructed to date, the Company has not generated revenue from UN(THINK)™, nor has the Company completed any acquisition of revenue generating companies. The commercial or operating viability of the Company's business plans have not been proven. There is no assurance that the revenue generated 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 FORCEGH+™ facilities or micropropagation laboratories will operate as intended.

The Company's initial state of its business operations will be to construct and deploy its initial FORCEGH+™ facility 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 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 grow house may be greater than anticipated.

There is no assurance that UN(THINK)™ will operate as intended.

The Company's plans for developing and advancing the UN(THINK)™ are in its preliminary stages. The Company has yet to fully launch their range of products in either the B2B or D2C channels. Accordingly, this component of the Company's business plan is subject to considerable risks, including:

- the costs of constructing and operating the pilot plant may be greater than anticipated;
- the potential B2B and D2C sales may not achieved the planned levels of sales;
- there is no assurance that the pilot plant will deliver the planned production levels or scale;
- if the company is not able to fully develop the pilot plant, it could prevent the company from realizing any of its business goals or achieving profitability;
- the costs of operating the AgriFORCE™ pilot plant may be greater than anticipated.
- the quality of product from the co-manufacturing may not be sufficient.
- the cost from co-manufacturing may be greater than anticipated.
- the demand for the products may not be as high as predicted.
- the pricing of the products may deter potential buyers and may not cover the cost of production.
- the brand may not attract sufficient volume.

We may not realize the anticipated benefits of, and synergies from, acquisitions and may become responsible for certain liabilities and integration costs as a result.

The businesses we have proposed to acquire have previously operated independently from us. The proposed integrations of our operations with the proposed businesses acquisitions are intended to result in financial and operational benefits, and business synergies. There can be no assurance, however, regarding when or the extent to which we will be able to realize these and other benefits. Integration may also be difficult, unpredictable, and subject to delay because of possible company culture conflicts, system integrations, regulatory compliance, and other factors. Difficulties associated with the integration of the proposed business acquisitions could have a material adverse effect on 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.

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 execute its business plan. Existing funds 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 at favorable terms, if at all, when required, given the Company's small asset base and current lack of revenue.

The Company had negative cash flow for the year ended December 31, 2022.

The Company had negative cash flows from operating activities for year ended December 31, 2022. 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.

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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 planned investments. 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 increase costs and have a material adverse effect on the business, results of operations and financial condition of the Company. The Company may not be able to recover sufficient revenues to offset its higher operating expenses or to recoup its initial capital investment. 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.

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.

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The Company may face significant competition from other nutritious food companies.

We face significant competition from other nutritious food companies. Many of our competitors may have established brands, more experience and competency in the industry, larger fulfillment infrastructure, significantly more marketing and other financial resources, and larger customer bases than we do. These factors may allow our competitors to achieve greater net sales and profits. The significant competition 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.

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:

- Provisional protection 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;

- 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 business activities.

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 \$32.8 million at December 31, 2022, a net loss of approximately \$12.9 million, and approximately \$12.1 million of net cash used in operating activities for the year ended December 31, 2022. 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 will be required to devote substantial time to regulatory compliance which may divert our attention from the day-to-day management of our business.

Our management team will require substantial attention from our senior management and could divert our attention away from the day-to-day management of our business. Regulatory compliance is increasingly complex and management may not have experience in all areas of public company compliance. The management team will seek assistance from external resources when appropriate for public company regulatory compliance and tax regulatory compliance for applicable jurisdictions.

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 risk. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

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 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)* (the "BC Act") 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 BC Act and Delaware General Corporation Law ("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 BC Act 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 BC Act 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 accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our Board of Directors, particularly to serve on its audit committee and compensation committee, and qualified executive officers.

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 acquisition 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;
- failure to comply with regulatory requirements;
- inability to commercially launch products and services and market and generate sales of our products and services,
- developments or disputes concerning 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;
- taking advantage of an extension of time to comply with new or revised financial accounting standard; and
- 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 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 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, 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, 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 initial 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 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 17. 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 13, 2023, the closing price for our common stock as reported on the Nasdaq Capital Market was \$0.87 per share.

Securities outstanding and holders of record

On March 13, 2023, there were approximately 305 shareholders of record for our common stock and 18,156,154 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. Our preferred stock was retired and there were no preferred shares outstanding after the IPO. 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 compensation committee of the Board (the “Compensation Committee”) may from time to time in its discretion, recommend changes to the Option Plan to grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares (“Options”). The Board of Directors review recommendations and approve changes. As of the date of this filing, the Company has 1,382,629 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 as at December 31, 2022:

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options</u>	<u>Weighted-average exercise price of outstanding options</u>	<u>Number of securities remaining available for future issuance</u>
Equity compensation plans approved by security holders	1,382,629	\$ 3.30	431,986
Equity compensation plans not approved by security holders	-	-	-
Total	1,382,629	\$ 3.30	431,986

Recent Sales of Unregistered Securities

The Company had the following sales of unregistered securities during the year ended December 31, 2022:

	<u># of shares</u>	<u>Amount</u>
Common shares issued for bonuses and compensation	266,765	\$ 520,230
Common shares issued for conversion of convertible debt	67,568	131,532
Common shares issued to consultants	284,767	853,457
Total common shares issued	<u>619,100</u>	<u>\$ 1,505,219</u>

The Company had the following sales of unregistered securities from January 1, 2023 to March 13, 2023:

	# of shares	Amount
Common shares issued for conversion of vested prefunded warrants	1,637,049	\$ 2,959,108
Common shares issued for conversion of convertible debt	71,807	1,038,073
Common shares issued to consultants	12,500	26,000
Total common shares issued	<u>2,360,356</u>	<u>\$ 4,023,181</u>

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, 2022.

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.

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.

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Revenues

The Company has not generated any revenue since inception.

Operating Expenses

Operating expenses primarily consist of wages and salaries, professional fees, consulting, office and administration, investor and public relations, research and development, and share-based compensation. Operating expenses increased in the year ended December 31, 2022 by \$6,727,450 as compared to December 31, 2021 primarily due to the following:

- Wages and salaries increased by \$2,156,838 due to increased headcount for the Company's expansion of operations including UN(THINK)™.
- Professional fees and consulting increased by \$1,786,876 and \$1,473,495, respectively due to increased legal and financial consulting services fees incurred for significant M&A activity.
- Office and administrative increased by \$547,604 due to increase in operational costs from the Company's operational growth, increased headcount, and public company insurance and administration costs.
- Investor and public relations expense increased by \$159,087 due to increased Company campaigns during 2022 to increase Company awareness and provide information to the public.
- Sales and marketing increased by \$387,130 to support the ramp up of UN(THINK)™. Costs include brand development, marketing campaigns, and other miscellaneous marketing costs.
- Share based compensation expense decreased by \$375,426 due to previous issued options becoming fully vested during the 2022, decreasing the share based compensation recognized for graded vesting as well as lower market prices for 2022 option issuances.
- Travel and entertainment increased by \$211,240 due to increase in international travel for expanded Company operations and M&A activity.
- Lease expense increased by \$150,647 due to full year of Vancouver office lease for 2022. Vancouver office lease was entered into July 2021.
- Shareholder and regulatory expense increased by \$77,988 due to increased costs for public company regulatory and shareholder expenses for the full 2022 year. The Company completed their listing on July 12, 2021, as such 2021 had increased expense for 6 months of 2021.
- Other expenditures amount to an additional \$151,971 between 2021 and 2022.

Research and Development

During the year ended December 31, 2022, the Company spent \$615,693 as compared to \$474,338 for the year ended December 31, 2021 in research and development costs in relation to the license agreement with Radical, the testing, nutrient, and micro analysis for UN(THINK)™ food product development, as well as costs of design and construction for the Coachella land and its future structure. The following represents the breakdown of research and development activities:

	December 31, 2022	December 31, 2021
License agreement	\$ 256,703	\$ -
Product development	179,563	296,931
Design and construction	179,427	177,407
	<u>\$ 615,693</u>	<u>\$ 474,338</u>

The increase in research and development expenses was due to product development costs for UN(THINK)™ food products.

Other (Income) / Expenses

Other income for the year ended December 31, 2022 increased due to the following:

- Change in fair value of derivative liabilities showed a larger gain by \$2,528,486 due to decreased derivative liabilities fair values.
- Issuance cost related to warrants decreased by \$374,465 due to no warrant issuance costs incurred during 2022.
- Foreign exchange gain increased by \$127,103 due to an increase in USD to CAD foreign exchange rates compared to 2021.
- Gain on debt conversion of \$93,973 (nil – 2021) from the conversion of \$150,000 of convertible debentures into the Company's common shares.
- Other income increased by \$75,823 from interest earned on cash deposited into savings accounts during the year.
- Offset by an increase of accretion interest on debentures of \$2,913,049 from the issuance of \$14,025,000 in convertible debentures during the year.

Critical Accounting Policies and Estimates

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.

Equity-linked instruments

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.

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with ASC 815, Derivatives and Hedging (“ASC 815”), which provides that if three criteria are met, the Company is required to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments. These three criteria include circumstances in which;

- (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract;
- (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur; and
- (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as “The Meaning of Conventional Convertible Debt Instrument.”

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when “Accounting for Convertible Securities with Beneficial Conversion Features,” as those professional standards pertain to “Certain Convertible Instruments.”

The debenture conversion features are categorized as a Level 3 financial instrument. The Company utilized the Monte Carlo option-pricing for valuing the convertible features.

The Debenture Warrants are categorized as a Level 3 financial instrument. The Company utilized the Monte Carlo option-pricing model to value the Debenture Warrants.

The most subjective assumptions in such option pricing models include the implied volatility, expected term, risk-free rate and the probability of triggering the down-round provisions.

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”). This model incorporates certain assumptions for inputs including a risk-free market interest rate, expected dividend yield of the underlying common stock, expected option life, and expected volatility in the market value of the underlying common stock. The Company recognizes any forfeitures as they occur.

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.

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 \$12,873,102 for the year ended December 31, 2022 compared to \$6,643,116 for the year ended December 31, 2021; and recorded an accumulated deficit of \$32,774,094 as of December 31, 2022 (\$19,900,992 – December 31, 2021). Net cash used in operating activities for the year ended December 31, 2022 was \$12,079,359 compared to \$5,136,947 for year ended December 31, 2021.

We had \$2,269,320 in cash as at December 31, 2022 as compared to \$7,775,290 as at December 31, 2021.

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 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 costs of our M&A activity;
- the level of working capital required to support our growth; and
- 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 an early stage of 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.

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, 2022 is attributable to a net loss of \$12,873,102 due to operating costs which are mentioned above. The net loss was adjusted primarily by the following non-cash expenses:

- Amortization of debt issuance costs of \$3,057,825 from the issuance of \$14,025,000 convertible debentures during the year.
- Share issuances for consulting services and compensation as well as share-based compensation from vesting stock options of \$760,162, \$520,230 and \$420,715, respectively due to increased business consulting and executive compensation.
- This was partially offset by a non-cash change in the fair value of derivative liabilities of \$3,719,869 due to decreased securities prices.

For the year ended December 31, 2021 net cash used by operating activities was attributable to net loss of \$6,643,116 owing to wages, consulting expenses, professional fees, research and development expenses and general administrative expenses. The net loss was adjusted primarily by the following non-cash expenses:

- Shared based compensation of \$796,141; and
- Shares issued for consulting services amounting to \$321,121.

During the year ended December 31, 2022, the net cash used in investing activities is related to the payment against acquisition of IP intangible asset of \$500,000 and acquisition of equipment and leasehold improvements amounting to \$104,986 due to increased staffing and office renovations, respectively. Comparatively, investing activity for the year ended December 31, 2021 mainly included payments for acquisition of IP assets amounting to \$225,000 and payments for construction in progress of \$744,191.

Cash provided by financing activities for the year ended December 31, 2022 represents net proceeds from debentures of \$12,750,000. This was partially offset by financing costs of debentures of \$1,634,894 and repayments of \$2,805,000 as well as payment of \$750,000 for the acquisition of an intangible asset. The net 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.

Recent Financings

On June 30, 2022, the Company entered into security purchase agreements with certain accredited investors for the purchase of \$14,025,000 in principal amount of convertible debentures due December 31, 2024. On July 7, 2022, \$12,750,000 of proceeds were received net of \$1,275,000 in original issuance discount, less financing costs of \$1,634,894.

On January 17 and 18, 2023, the investors purchased additional tranches of convertible debentures for the principal amount of \$5,076,923 due July 17 and 18, 2025.

Off Balance Sheet Arrangements

None.

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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying 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.

Explanatory Paragraph – Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company changed its method of accounting for leases in 2022 due to the adoption of ASU No. 2016-02, *Leases (Topic 842)*, as amended, effective January 1, 2022, using the modified retrospective approach.

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 provide 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 13, 2023

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

	Note	December 31, 2022	December 31, 2021
ASSETS			
Current			
Cash		\$ 2,269,320	\$ 7,775,290
Other receivable		48,941	32,326
Prepaid expenses and other current assets	4	598,342	309,040
Total current assets		2,916,603	8,116,656
Non-current			
Property and equipment, net	5	121,672	40,971
Intangible asset	7	13,089,377	1,477,237
Operating lease right-of-use asset	16	1,540,748	-
Lease deposit, non-current		-	50,608
Construction in progress	6	2,092,533	2,079,914
Land deposit	4	2,085,960	-
Total assets		\$ 21,846,893	\$ 11,765,386
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	8	\$ 1,147,739	\$ 1,532,312
Contingent consideration payable	7	-	753,727
Debentures	9	3,941,916	-
Lease liability – current	16	271,110	-
Total current liabilities		5,360,765	2,286,039
Non-current			
Deferred rent		-	12,954
Lease liability – non-current	16	1,250,060	-
Derivative liabilities	11	4,649,115	1,418,964
Long term loan	10	44,300	47,326
Total liabilities		11,304,240	3,765,283
Commitments and contingencies	17		
Shareholders' equity			
Common shares, no par value per share - unlimited shares authorized; 15,795,798 and 15,176,698 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively	12	27,142,762	25,637,543
Additional paid-in-capital	12	16,816,695	2,203,343
Obligation to issue shares	12	-	93,295
Accumulated deficit		(32,774,094)	(19,900,992)
Accumulated other comprehensive loss		(642,710)	(33,086)
Total shareholders' equity		10,542,653	8,000,103
Total liabilities and shareholders' equity		\$ 21,846,893	\$ 11,765,386

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

AGRIFORCE GROWING SYSTEMS LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in US dollars)
For the years ended December 31, 2022 and 2021

	Note	2022	2021
OPERATING EXPENSES			
Wages and salaries		\$ 3,923,329	\$ 1,766,491
Professional fees		2,669,022	882,146
Consulting		2,561,908	1,088,413
Office and administrative		1,327,739	780,135
Investor and public relations		907,436	748,349
Research and development	15	615,693	474,338
Share based compensation	12	420,715	796,141
Sales and marketing		387,130	-
Lease expense	16	318,962	168,315
Travel and entertainment		280,838	69,598
Shareholder and regulatory		221,083	143,095
Depreciation	5	22,413	11,797
Operating loss		(13,656,268)	(6,928,818)
OTHER EXPENSES / (INCOME)			
Foreign exchange gain		(290,079)	(162,976)
Gain on conversion of convertible debt	9	(93,973)	-
Change in fair value of derivative liabilities	11	(3,719,869)	(1,191,383)
Accretion of interest on debentures	9	3,396,578	483,529
Write-off of deposit		-	151,711
Issuance cost related to warrants		-	374,465
Loss on extension of debt term		-	58,952
Other income		(75,823)	-
Net loss		(12,873,102)	(6,643,116)
Dividend paid to preferred shareholders		-	735,932
Net loss attributable to common shareholders		(12,873,102)	(7,379,048)
Other comprehensive loss			
Foreign currency translation		(609,624)	(152,140)
Comprehensive loss attributable to common shareholders		\$ (13,482,726)	\$ (7,531,188)
Basic and diluted net loss attributed to common share		\$ (0.71)	\$ (0.66)
Weighted average number of common shares outstanding – basic and diluted		18,080,318	11,164,311

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

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, 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
Shares issued for conversion of convertible debt	9 & 12	67,568	131,532	-	-	-	-	-	-	131,532
Shares issued for bonus and compensation	12	266,765	520,230	-	-	-	-	-	-	520,230
Shares issued for consulting services	12	284,767	853,457	-	-	-	(93,295)	-	-	760,162
Share issued for settlement of accrued director's fee		-	-	-	-	-	-	-	-	-
Prefunded warrants issued	7	-	-	-	-	14,192,637	-	-	-	14,192,637
Share based compensation	12	-	-	-	-	420,715	-	-	-	420,715
Net loss		-	-	-	-	-	-	(12,873,102)	-	(12,873,102)
Foreign currency translation		-	-	-	-	-	-	-	(609,624)	(609,624)
Balance, December 31, 2022		15,795,798	\$ 27,142,762	-	\$ -	\$ 16,816,695	\$ -	\$ (32,774,094)	\$ (642,710)	\$ 10,542,653

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

AGRIFORCE GROWING SYSTEMS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US Dollars)
For the years ended December 31, 2022 and 2021

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		\$ (12,873,102)	\$ (6,643,116)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	5	22,413	11,797
Share based compensation	12	420,715	796,141
Shares issued for consulting services	12	760,162	321,121
Shares issued for compensation and bonuses	12	520,230	134,383
Amortization of debt issuance costs	9	3,057,825	483,529
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 derivative liabilities		(3,719,869)	(1,191,383)
Gain on debt conversion		(93,973)	-
Changes in operating assets and liabilities:			
Other receivables		(16,615)	(23,353)
Prepaid expenses and other current assets		(274,302)	(235,713)
Accounts payable and accrued liabilities		75,552	662,173
Right-of-use asset		297,034	-
Lease liabilities		(255,429)	-
Lease deposit, non-current		-	(50,608)
Deferred rent		-	12,954
Net cash used in operating activities		<u>(12,079,359)</u>	<u>(5,136,947)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of equipment and leasehold improvements		(104,986)	(25,522)
Payment against acquisition of intangibles	7	(500,000)	(225,000)
Return of deposit on purchase of land		20,000	-
Deposit for purchase of land		-	(12,000)
Construction in progress		(55,028)	(744,191)
Net cash used in investing activities		<u>(640,014)</u>	<u>(1,006,713)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from debentures – net of discount		12,750,000	-
Repayment of convertible debentures		(2,805,000)	-
Financing costs of debentures		(1,634,894)	(69,000)
Payment for acquisition of intangible asset	7	(750,000)	-
Proceeds from initial public offering		-	15,639,990
Payment of IPO costs		-	(2,279,374)
Proceeds from exercise of warrants		-	238,800
Proceeds from long term loan		-	15,932
Proceeds from senior secured debentures - net		-	600,000
Repayment of senior secured debentures		-	(750,000)
Proceeds from exercise of options		-	9,123
Net cash provided by financing activities		<u>7,560,106</u>	<u>13,405,471</u>
Effect of exchange rate changes on cash		(346,703)	(139,931)
Change in cash		(5,505,970)	7,121,880
Cash, beginning of year		7,775,290	653,410
Cash, end of year		<u>\$ 2,269,320</u>	<u>\$ 7,775,290</u>
Supplemental cash flow information:			
Cash paid during the period for interest		\$ 338,753	\$ -
Supplemental disclosure of non-cash investing and financing transactions			
Initial fair value of warrants issued in connection with issuance of debentures		\$ 4,080,958	\$ -
Initial fair value of conversion feature of debentures		3,336,535	-
Prefunded warrants issued related to intangible assets		12,106,677	-
Prefunded warrants related to land deposit		2,085,960	-
Shares issued for conversion of convertible debt		131,532	-
Initial operating lease liability recognized under Topic 842		1,776,599	-
Initial lease right-of-use asset recognized under Topic 842		1,837,782	-
Initial fair value of warrants liability		-	374,028
Preferred stock dividend paid in common shares		-	735,932
Conversion of Series A preferred stock to common shares		-	6,717,873
Unpaid amount related to intangible assets included in accrued expenses		-	500,000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(Expressed in US Dollars, except where noted)

1. BUSINESS OVERVIEW

AgriFORCE Growing Systems Ltd. (“AgriFORCE™” of 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.

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 through our AgriFORCE™ Solutions division (“Solutions”) and delivers nutritious food products through our AgriFORCE™ Brands division (“Brands”).

Solutions 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 (“FORCEGH+™”) The Company has designed FORCEGH+™ facilities 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.

Brands 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.

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:

<u>Name of entity:</u>	<u>Country of Incorporation</u>	<u>Purpose</u>	<u>Date of Incorporation</u>
AgriFORCE Growing Systems Ltd.	Canada	Parent Company	Dec 22, 2017
un(Think) Food Company Canada Ltd.*	Canada	Food Product Manufacturing	Dec 4, 2019
West Pender Holdings, Inc.	United States	Real Estate Holding and	
AgriFORCE Investments Inc.	United States	Development Company	Sep 1, 2018
West Pender Management Co.	United States	Holding Company	Apr 9, 2019
AGI IP Co.	United States	Management Advisory Services	Jul 9, 2019
un(Think) Food Company	United States	Intellectual Property	Mar 5, 2020
		Food Product Manufacturing	June 20, 2022

* un(Think) Food Company Canada Ltd. changed its name from Daybreak AG Systems Ltd. on August 19, 2022.

un(Think) Food Company, a wholly owned subsidiary commenced operations in 2022 and their results are consolidated into the results of the Company.

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 derivative liabilities, valuation of embedded conversion feature, going concern, impairment 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 and may never become profitable. As reflected in the financial statements, the Company had an accumulated deficit of approximately \$32.8 million at December 31, 2022, a net loss of approximately \$12.9 million, and approximately \$12.1 million of net cash used in operating activities for the year ended December 31, 2022. 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.

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, 2022 and 2021.

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
Leasehold improvements	Lower of estimated useful life or remaining lease term

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.

Definite Lived Intangible Asset

Definite lived intangible asset consists of a granted patent. Amortization is computed using the straight-line method over the estimated useful lives of the asset. Estimated useful lives of the granted patent is 20 years. Amortization expense is allocated to general and administrative expense. No amortization expense has been taken on the granted patent as it was available for use starting January 2023.

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.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with ASC 815, Derivatives and Hedging (“ASC 815”), which provides that if three criteria are met, the Company is required to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments. These three criteria include circumstances in which;

- (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract;
- (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur; and
- (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as “The Meaning of Conventional Convertible Debt Instrument.”

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when “Accounting for Convertible Securities with Beneficial Conversion Features,” as those professional standards pertain to “Certain Convertible Instruments.” Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. ASC 815 provides that, among other things, generally, if an event is not within the entity’s control could or require net cash settlement, then the contract shall be classified as an asset or a liability.

Leases

The Company determines at the inception of a contract if the arrangement is or contains a lease. A contract is or contains a lease if the contract gives the right to control the use of an identified asset for a period of time in exchange for consideration. The Company classifies leases at the lease commencement date as operating or finance leases and records a right-of-use asset and a lease liability on the balance sheet for all leases with an initial lease term of greater than 12 months. Leases with an initial term of 12 months or less are not recorded on the balance sheet, but payments are recognized as expense on a straight-line basis over the lease term.

The Company’s contracts can contain both lease and non-lease components. The non-lease components may include maintenance, utilities, and other operating costs. The Company combines the lease and non-lease components of fixed costs in its leases as a single lease component. Variable costs, such as utilities or maintenance costs, are not included in the measurement of right-of-use assets and lease liabilities. These costs are expensed when the event determining the amount of variable consideration to be paid occurs.

Lease liabilities and their corresponding right-of-use assets are recorded based on the present value of future lease payments over the expected lease term. The Company determines the present value of future lease payments by using its estimated secured incremental borrowing rate for that lease term as the interest rate implicit in the lease is not readily determinable. The Company estimates its incremental borrowing rate for each lease based on the rate of interest that the Company would have to pay to borrow an amount equal to the lease payments over a similar term.

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
- Sales revenue from nutritious food products
- Intellectual property income from the license of the facilities
- Management and advisory fees from management service contracts

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. The number of common shares used in the loss per shares calculation includes all outstanding common shares plus all common shares issuable for which there are no conditions to issue other than time. 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.

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 and June 30, 2022, 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, 2022, the Company's warrant liability related to IPO warrants and representative's warrant amounting to \$275,115 (December 31, 2021 - \$1,418,964) is reported at fair value and categorized as Level 1 inputs. The fair value of derivative liabilities related to the Debenture Warrants and Debenture Convertible Feature that were issued during the year amounted to \$4,374,000 (December 31, 2021 - \$nil) and were categorized as level 3 inputs. The Bridge Warrants that were issued and exercised in the year ended December 31, 2021 were also 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, 2022 and 2021.

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"). This model incorporates certain assumptions for inputs including a risk-free market interest rate, expected dividend yield of the underlying common stock, expected option life, and expected volatility in the market value of the underlying common stock. 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.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize leases on balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements. The new standard establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The Company adopted ASC 842 as of January 1, 2022 using the optional transition method to apply the standard as of the effective date. Accordingly, previously reported financial statements, including footnote disclosures, have not been recast to reflect the application of the new standard to all comparative periods presented.

The new standard also provides practical expedients for an entity's ongoing accounting as a lessee. The Company elected to utilize the practical expedient to not separate lease and non-lease components for its existing lease. The Company has also elected not to present short-term leases on the consolidated balance sheet as these leases have a lease term of 12 months or less at lease inception and do not contain purchase options or renewal terms that the Company is reasonably certain to exercise. All other lease assets and lease liabilities are recognized based on the present value of lease payments over the lease term at commencement date. Because the Company's lease does not provide an implicit rate of return, it used its incremental borrowing rate based on the information available at adoption date in determining the present value of lease payments.

Adoption of the new lease standard on January 1, 2022 had a material impact on the Company's consolidated financial statements. The most significant impacts related to the recognition of ROU assets of \$1,776,599 and lease liabilities of \$1,837,782 for operating leases on the consolidated balance sheet. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The standard did not materially impact the Company's consolidated statements of comprehensive loss and consolidated statement of cash flows.

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. ASC 2020-06 is effective for emerging growth companies for fiscal years beginning after December 15, 2023. We are currently assessing the impact this guidance will have on our 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 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. PREPAID EXPENSES AND OTHER CURRENT ASSETS AND LAND DEPOSIT

	December 31, 2022	December 31, 2021
Deposits	\$ 12,000	\$ 32,000
Legal retainer	24,457	33,692
Prepaid expenses	436,496	214,445
Deferred offering costs	100,337	-
Others	25,052	28,903
	<u>\$ 598,342</u>	<u>\$ 309,040</u>

On August 31, 2022, the Company signed a purchase and sale agreement with Stronghold Power Systems, Inc. (“Stronghold”), to purchase approximately seventy acres of land located in the City of Coachella as well as the completion of certain permitting, zoning, and infrastructure work by Stronghold for a total purchase price of \$4,300,000. The purchase price consists of:

- (i) \$1,500,000 in cash due on March 31, 2023.
- (ii) A first stock deposit of \$1,700,000 in prefunded warrants. The Company issued 695,866 prefunded warrants on September 9, 2022 to Stronghold.
- (iii) A second stock deposit \$1,100,000 in prefunded warrants. The Company issued 450,266 prefunded warrants on September 9, 2022 to Stronghold.

At December 31, 2022 the \$2,085,960 of prefunded warrants were recorded under land deposit in relation to the Stronghold agreement. The prefunded warrant issuance may be rescinded and the warrants null and void if Stronghold does not meet all escrow performance conditions by March 31, 2023.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2022	December 31, 2021
Leasehold improvements	\$ 86,979	\$ -
Computer equipment	39,112	22,708
Furniture and fixtures	37,590	39,997
Total property and equipment	163,681	62,705
Less: Accumulated depreciation	(42,009)	(21,734)
Property and equipment, net	<u>\$ 121,672</u>	<u>\$ 40,971</u>

Depreciation expense on property and equipment, was \$22,413 and \$11,797 for the years ended December 31, 2022 and 2021, respectively.

6. CONSTRUCTION IN PROGRESS

The Company engaged outside contractors to begin construction work on its first facility. As of December 31, 2022, \$2,092,533 (December 31, 2021 – \$2,079,914) represents progress payments related to facility construction.

7. INTANGIBLE ASSET

Intangible asset represents \$13,089,377 (December 31, 2021 - \$1,477,237) for intellectual property (“Manna IP”) acquired under an asset purchase agreement with Manna Nutritional Group, LLC (“Manna”) dated September 10, 2021. The Manna 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 Company paid \$1,475,000 in cash and issued 7,379,969 prefunded warrants valued at \$12,106,677 (the “Purchase Price”) adjusted for foreign exchange differences of \$492,300. Subject to a 9.99% stepped and SEC Rule 144 restrictions the prefunded warrants will vest in tranches up until March 10, 2024. When vested the tranches of prefunded warrants will be converted into an equal number of common shares.

Subsequent to the year end, Manna satisfied all of its contractual obligations when the patent was approved by the US Patents Office and title was transferred to the Company. The Company issued 1,637,049 shares in relation to this transaction on January 3, 2023.

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 activities. Once completed and commercialized, the asset will be amortized over its useful life.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable	\$ 498,188	\$ 414,117
Accrued expenses	365,521	981,027
Others	284,030	137,168
	<u>\$ 1,147,739</u>	<u>\$ 1,532,312</u>

Accrued expenses as of December 31, 2021, included \$500,000 related to the purchase of the Manna IP.

9. DEBENTURES

On March 24, 2021, the Company entered into a securities purchase agreement with certain 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"). The imputed interest rate is encompassed within the original issue discount of the debentures and no additional cash interest shall be due. 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 for up to three years of the issuance date with a strike price of \$3.99 per share.

On June 30, 2022, the Company executed the definitive agreement with certain institutional investors (the "Investors") for a \$14,025,000 principal debentures with a 10% original issue discount (the "Debentures") for net proceeds of \$12,750,000. The interest rates on the Debentures are 5% for the first 12 months, 6% for the subsequent 12 months, and 8% per annum thereafter. Principal repayments will be made in 25 equal monthly installments and began on September 1, 2022. The Debenture may be extended by six months at the election of the Company by paying a sum equal to six months interest on the principal amount outstanding at the end of the 18th month, at the rate of 8% per annum. The Debentures are convertible into common shares at \$2.22 per share. The Investors have the right to purchase additional tranches of \$5,000,000 each, up to a total additional principal amount of \$33,000,000. In addition, the Investors received 4,106,418 warrants at a strike price of \$2.442, which expire on December 31, 2025 (the "Debenture Warrants"). The Debenture Warrants and Debentures each have down round provisions whereby the conversion and strike prices will be adjusted downward if the Company issues equity instruments at lower prices. The Debenture Warrants strike price and the Debenture conversion price will be adjusted down to the effective conversion price of the issued equity instruments. Due to the currency of these features being different from the Company's functional currency the Debenture Warrants and Debentures' convertible features were classified as derivative liabilities and are further discussed in Note 11. The transaction costs incurred in relation to the Debentures were \$1,634,894.

The following table summarizes our outstanding debentures as of the dates indicated:

	<u>Maturity</u>	<u>Cash Interest Rate</u>	<u>December 31, 2022</u>
Principal (initial)	12/31/2024	5.00% - 8.00%	\$ 14,025,000
Repayments and conversions			(2,955,000)
Debt issuance costs and discounts (Note 9 & 11)			(7,128,084)
Total Debentures (current)			<u>\$ 3,941,916</u>

During the year ended December 31, 2022, the Investors converted \$150,000 of convertible debentures into 67,568 shares of the Company resulting in a \$93,973 gain on the conversion of convertible debentures.

Subsequent to the year end, the Investors purchased an additional tranche of \$5,076,923. The convertible debt and warrants were issued with an exercise price of \$1.24. The issuance of the additional tranche triggered the down round provision, adjusting the exercise prices of the Debentures and the Debenture Warrants to \$1.24.

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 \$29,533 (December 31, 2021 - \$31,417) (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.

In April 2021, the Company applied for an additional loan with Alterna Bank under the Program and received \$14,767 (CAD\$20,000) (December 31, 2021 - \$15,909 (CAD \$60,000)). The expansion loan is subject to the original terms and conditions of the Program.

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.

The balance at December 31, 2022 was \$44,300 (CAD \$60,000) (December 31, 2021 - \$47,326 (CAD \$60,000)).

11. DERIVATIVE LIABILITIES

The Company’s derivative liabilities consist of warrants, denominated in a currency other than the Company’s functional currency (the “Warrant Liabilities”) and conversion rights embedded in the Debentures, see Note 9 (the “Debenture Convertible Features”).

Warrant Liabilities

As of December 31, 2022, the Warrant Liabilities represent aggregate fair value of publicly traded 3,088,198 Series A warrants (“IPO Warrants”), 135,999 representative’s warrants (“Rep Warrants”) and 4,106,418 Debenture Warrants.

The fair value of the IPO Warrants and Rep Warrants amount to \$275,115 (December 31, 2021 - \$1,418,964) and were categorized as a Level 1 financial instrument. The Rep Warrants are exercisable one year from the effective date of the IPO registration statement and will expire three years after the effective date.

The fair value of the Debenture Warrants amounted to \$2,917,000 (June 30, 2022 - \$4,080,958) and were categorized as a Level 3 financial instrument. As at December 31, 2022 the Company utilized the Monte Carlo option-pricing model (June 30, 2022 – Black-Scholes option-pricing model) to value the Debenture Warrants using the following assumptions: stock price \$1.13 (June 30, 2022 - \$2.31), dividend yield – nil (June 30, 2022 – nil), expected volatility 95.0% (June 30, 2022 – 58.3%), risk free rate of return 4.22% (June 30, 2022 – 3.14%), and expected term of 3 years (June 30, 2022 – expected term of 3.5 years).

The changes in the fair value of the Bridge Warrants (\$203,456 – 2021) was charged to the statement of comprehensive 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.

Debenture Convertible Features

On June 30, 2022, the Company issued Debentures with an equity conversion feature, see Note 9. The fair value of the Debentures’ convertible features was \$3,336,535 on the issuance date and \$1,457,000 as at December 31, 2022. These conversion features are categorized as a Level 3 financial instrument. As at December 31, 2022 the Company utilized the Monte Carlo option-pricing model (June 30, 2022 – Black-Scholes option-pricing model) for valuing the convertible feature using the following assumptions: stock price \$1.13 (June 30, 2022 - \$2.31), dividend yield – nil (June 30, 2022 – nil), expected volatility 95.0% (June 30, 2022 – 101.0%), risk free rate of return 4.41% (June 30, 2022 – 3.14%), discount rate 13.65% (June 30, 2022 – not applicable), and expected term of 2 years (June 30, 2022 – 1 year).

Changes in the fair value of Company’s Level 1 and 3 financial instruments for the year ended December 31, 2022 were as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Level 3</u>	
	<u>IPO and Rep Warrants</u>	<u>Debenture Warrants</u>	<u>Debenture Convertible Feature</u>	<u>Total</u>
Balance at December 31, 2021	\$ 1,418,964	\$ -	\$ -	\$ 1,418,964
Additions	-	4,080,958	3,336,535	7,417,493
Conversions	-	-	(63,723)	(63,723)
Change in fair value	(1,086,562)	(966,141)	(1,667,166)	(3,719,869)
Effect of exchange rate changes	(57,287)	(197,817)	(148,646)	(403,750)
Balance at December 31, 2022	<u>\$ 275,115</u>	<u>\$ 2,917,000</u>	<u>\$ 1,457,000</u>	<u>\$ 4,649,115</u>

Due to the expiry date of the warrants and conversion feature being subsequent to December 31, 2023, the liabilities have been classified as non-current.

12. SHARE CAPITAL

a) *Authorized Share Capital*

On March 1, 2019, the Company changed its share structure to replace Class – A voting shares with Common voting Shares, eliminated Class-B non-voting shares, 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, 2022:

	# of shares	Amount
Common shares issued for bonuses and compensation	266,765	\$ 520,230
Common shares issued for conversion of convertible debt	67,568	131,532
Common shares issued to consultants	284,767	853,457
Total common shares issued	<u>619,100</u>	<u>\$ 1,505,219</u>

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

	# of shares	Amount
Common shares issued for cash	3,127,998	\$ 13,262,712
Common shares issued for conversion of series A preferred stock	2,258,826	6,717,873
Common shares issued on exercise of warrants	39,800	238,800
Common shares issued on cashless exercise of warrants	36,275	-
Common shares issued on exercise of options	7,018	9,123
Common shares issued on cashless exercise of options	820,029	-
Common shares issued for bonus and compensation	159,775	648,449
Common shares issued for consulting services	76,364	381,663
Common shares issued for settlement of accrued director's fee	19,992	46,783
Common shares issued for dividend on preferred shares	189,004	735,932
Share issue costs	-	(2,099,842)
Total common shares issued	<u>6,735,081</u>	<u>\$ 19,941,493</u>

c) *Stock Options*

The Company has adopted a stock option plan (the "Option 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 Option Plan to increase the number of authorized shares subject to the 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, 2022, the Company recorded aggregate share-based compensation expense of \$420,715 (December 31, 2021 - \$796,141) for all stock options on a straight-line basis over the vesting period.

As of December 31, 2022, 1,382,629 (December 31, 2021 – 717,019) Options were outstanding at a weighted average exercise price of \$3.30 (December 31, 2021 - \$5.63), of which 414,305 (December 31, 2021 – 280,938) 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, 2022, there was \$538,358 (December 31, 2021 - \$634,626) of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted; that cost is expected to be recognized over a period of 2 years (December 31, 2021 – 3 years).

The following summarizes stock option activity during the years ended December 31, 2022 and 2021:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Life (years)</u>
Balance at December 31, 2020	1,450,918	\$ 2.01	4.38
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	717,019	\$ 5.63	4.48
Granted	747,060	\$ 1.14	4.48
Forfeited	(25,542)	\$ 7.00	-
Cancelled	(55,908)	\$ 4.27	-
Balance at December 31, 2022	1,382,629	\$ 3.30	4.24

The Company's outstanding and exercisable stock options at December 31, 2022 were:

Expiry Date	Outstanding Options			Exercisable Options	
	Number	Weighted Average Remaining Life (years)	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
June 30, 2026	210,489	3.50	3.51	210,489	3.51
May 31, 2026	320,351	3.42	7.00	160,176	7.00
July 15, 2026	55,445	3.54	7.00	23,100	7.00
September 30, 2026	49,284	3.75	7.00	20,540	7.00
November 18, 2027	747,060	4.88	1.14	-	-
Total Share Options	1,382,629	4.24	3.30	414,305	5.23

The following table summarizes the Company's assumptions used in the valuation of options granted during the year ended December 31, 2022 and December 31, 2021:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected volatility	78.05%	80.00%
Expected term (in years)	3.07	3.31
Risk-free interest rate	3.35%	0.92%
Fair value of options	\$ 0.60	\$ 2.59

d) *Warrants*

The Company's outstanding warrants as of December 31, 2022 were:

	<u>Number of warrants</u>	<u>Weighted average exercise price</u>	<u>Expiry Date</u>
		\$	
Outstanding, December 31, 2020	2,546,065	7.46	
Granted July 12, 2021	3,263,997	6.00	July 12, 2024
Granted July 28, 2021	93,938	3.99	July 28, 2024
Exercised in 2021	(133,738)	4.59	n/a
Outstanding, December 31, 2021	5,770,262	5.91	
Granted June 30, 2022	4,106,418	2.44 ^a	December 30, 2025
Outstanding, December 31, 2022	9,876,680	4.91	

(a) Subsequent to the year end, the issuance of additional tranches of Debentures triggered the down round provision, adjusting the exercise prices of the Debenture Warrants to \$1.24 (Note 9).

e) *Loss per Common Share*

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, 2022 and December 31, 2021, since the effect of the Company's warrants, stock options and convertible debentures are anti-dilutive.

Potentially dilutive securities that are not included in the calculation of diluted net loss per share because their effect is anti-dilutive are as follows (in common equivalent shares):

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Warrants	9,876,680	5,770,262
Options	1,382,629	717,019
Prefunded warrants	1,146,132	-
Convertible debentures	4,986,486	-
Total anti-dilutive weighted average shares	<u>17,391,927</u>	<u>6,487,281</u>

13. INCOME TAXES

For the year ended December 31, 2022 and 2021, loss before income tax provision consisted of the following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Domestic operations - Canada	\$ (11,753,662)	\$ (6,202,837)
Foreign operations - United States	(1,119,440)	(440,279)
Total loss before taxes	<u>\$ (12,873,102)</u>	<u>\$ (6,643,116)</u>

Income tax expense (benefit) consists of the following for the years ended December 31, 2022 and December 31, 2021:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Loss before taxes	\$ (12,873,102)	\$ (6,643,116)
Statutory tax rate	27.00%	27.00%
Income taxes at the statutory rate	\$ (3,475,738)	\$ (1,793,641)
Change in fair value of derivative liabilities	(1,032,824)	(321,674)
Non-deductible accretion interest	747,719	-
Stock-based compensation	484,035	253,556
Share issue costs	(108,685)	(112,812)
Foreign currency translation	298,876	-
Other	63,035	111,874
Total	<u>\$ (3,023,582)</u>	<u>\$ (1,862,697)</u>
Change in valuation allowance	\$ 3,023,582	\$ 1,862,697
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, 2022 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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deferred tax assets:		
Unused net operating losses carry forward - Canada and United States	\$ 7,572,932	\$ 4,459,457
Unused capital losses carry forward	-	40,962
Share issue costs	130,732	174,377
Other	(5,286)	-
Total deferred tax assets	<u>7,698,378</u>	<u>4,674,796</u>
Valuation allowance	<u>(7,698,378)</u>	<u>(4,674,796)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company has non-capital losses of \$25.8 million as of December 31, 2022 and \$15.7 million as of December 31, 2021, which are due to expire between 2038 and 2042 and which can be used to offset future taxable income in Canada. For foreign operations in United States, aggregate net operating losses are \$2.2 million as of December 31, 2022 and \$0.9 million as of December 31, 2021 which can be carried forward indefinitely. The Company has no capital losses as of December 31, 2022 and \$0.2 million as of December 31, 2021. 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, 2022, no tax authority audits are currently underway.

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

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.

As of December 31, 2022, \$32,500 (December 31, 2021, \$47,461) 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, 2022 and 2021, the Company incurred \$79,457 and \$66,246, respectively, to our U.S. general counsel firm, DR Welch against legal services, a corporation controlled by a director of the Company. No shares were issued in the year ended December 31, 2022 (an aggregate of 13,158 shares were issued during the year ended December 31, 2021 to David Welch).

There were no other payments to related parties for the year ended December 31, 2022 and 2021 other than expense reimbursements in the ordinary course of business.

15. RESEARCH AND DEVELOPMENT

During the year ended December 31, 2022, the Company spent \$615,693 as compared to \$474,338 for the year ended December 31, 2021 in research and development costs in relation to the license agreement with Radical Clean Solutions Ltd ("Radical"), the testing, nutrient and micro analysis for UN(THINK)TM food product development as well as costs of design and construction for the Coachella land and its future structure architecture. The following represents the breakdown of research and development activities:

	December 31, 2022	December 31, 2021
License agreement	\$ 256,703	\$ -
Product development	179,563	296,931
Design and construction	179,427	177,407
	<u>\$ 615,693</u>	<u>\$ 474,338</u>

16. LEASES

The Company has entered into an operating lease for office space. At December 31, 2022, the remaining lease term is seven years and the discount rate is 7.0%. The Company has no finance leases.

The components of lease expenses were as follows:

	December 31, 2022
Operating lease cost	\$ 295,601
Short-term lease cost	23,361
Total lease expenses	<u>\$ 318,962</u>

The minimum future payments under the lease for our continuing operations in each of the years ending December 31 is as follows:

2023	\$ 271,110
2024	280,409
2025	296,350
2026	296,350
2027	296,350
Subsequent years	518,613
Total minimum lease payments	<u>1,959,182</u>
Less: imputed interest	(438,012)
Total lease liability	<u>1,521,170</u>
Current portion of lease liability	(271,110)
Non-current portion of lease liability	<u>\$ 1,250,060</u>

17. COMMITMENTS AND CONTINGENCIES

Debenture principal repayments

The following table summarizes the future principal payments related to our outstanding debt as of December 31, 2022:

2023	\$ 6,732,000
2024	4,338,000
	<u>\$ 11,070,000</u>

Contingencies

As at December 31, 2022, the Company had no contingencies or litigation to disclose.

18. SUBSEQUENT EVENTS

The Company evaluated subsequent events through March 13, 2023, 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, 2022, and events which occurred subsequent to December 31, 2022 but were not recognized in the financial statements.

On January 17 and 18, 2023, the Investors purchased additional tranches totaling \$5,076,923 in convertible debentures and received 2,661,289 warrants. The convertible debentures and warrants were issued with an exercise price of \$1.24. The issuance of the additional tranches triggered the down round provision, adjusting the exercise prices of the Debentures and the Debenture Warrants to \$1.24 (Note 9 & 11). Subsequent to the year ended December 31, 2022, the investors converted \$881,400 of convertible debentures into 710,807 shares.

Subsequent to the year ended December 31, 2022, the Company issued 1,637,049 shares to Manna upon exercise of their prefunded warrants.

Subsequent to the year ended December 31, 2022, the Company issued 12,500 shares to a consultant for services rendered.

On January 24, 2023, the Company entered a binding letter of intent ("BP LOI") to acquire Berry People LLC ("Berry People"), a U.S. based berry business. The BP LOI sets forth a purchase price of \$28 million, consisting of \$18.2 million in cash and \$9.8 million in restricted shares to acquire 70% of Berry People.

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Internal control over financial reporting is a process designed under the supervision and with the participation of our management, including the individuals serving as our principal executive officer and principal financial officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013 Framework). Based on this assessment, our management concluded that, as of December 31, 2022, our internal control over financial reporting was effective based on those criteria.

Attestation Report on Internal Control over Financial Reporting.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm due to the deferral allowed given we are neither an accelerated nor a large accelerated filer.

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 2022 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.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Served Since</u>
Ingo W. Mueller*	57	Chairman, Director, Chief Executive Officer	December 2017
William J. Meekison	58	Director, Audit Committee, Compensation Committee	June 2019
David Welch	41	Director, Nominating and Governance Committee, Compensation Committee	June 2019
Richard Levychin	64	Director, Audit Committee Chair, Nominating and Governance Committee,	July 2021
Amy Griffith	50	Director, Audit Committee, Compensation Committee Chair, Nominating and Governance Committee	July 2021
Richard S. Wong	58	Chief Financial Officer	October 2018
Troy T. McClellan	61	President, AgriFORCE™ Solutions	February 2018
Mauro Pennella	57	Chief Marketing Officer and President AgriFORCE™ Brands division.	July 2021
Dr. Laila Benkrima	60	Chief Scientist	May 2018

*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.

David Welch, Director, Nominating and Governance Committee

Mr. Welch is a founding partner at ENSO LAW, LLP, based in Los Angeles. He has a broad base of experience in representing US, Canadian and Mexican corporate clients in the areas of litigation, intellectual property and government regulatory advisement and defense. Mr. Welch has represented recognizable businesses in the agriculture and food services space in Federal Court, California state courts and before the USPTO. Mr. Welch has also argued before the California Supreme Court and the US 9th Circuit Court of Appeals on constitutional issues related to preemption and the application of US law to various companies. Mr. Welch obtained his Juris Doctorate degree from Loyola Law School with an emphasis in international trade and has received various accolades for his work in intellectual property and regulatory law, including Top 40 under 40 by the Daily Journal; National Law Journal Intellectual Property Trail Blazer, and Super Lawyers from 2013 until 2023. In his business ventures, Mr. Welch is a registered aquaculturist and farmer focusing on sustainable and regenerative agricultural practices. He is suited to serve as a director due to his long standing experience in international intellectual property and business.

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 CFO of ArcWest Exploration Inc. (since December 2010), a mining exploration company in British Columbia. He is currently on the board of Telo Genomics Corp. (since July 2018) and Adven Inc. (since April 2021). Prior to his position at Exro Technologies Inc. and other CFO roles, 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

Ms. Griffith currently serves as Group Director for the North America Operating unit of the Coca-Cola Company, in this capacity she oversees public affairs, government relations, sustainability and communications in Canada and the Northeastern United States. Previously, she served as Wells Fargo's State & Local Government Relations Senior Vice President. She was recruited to Wells Fargo's Government Relations and Public Policy team in 2019. In this role, Griffith led Wells Fargo's legislative and political agenda in her region and managed relationships with state and local policymakers and community stakeholders. From 2008-2019, Ms. 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, policy and politics as well as decades 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.

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.

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 consider 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.

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 (Chair), 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.

Compensation Committee

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), David Welch 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 (the "N&CG Committee")

Our N&CG Committee is comprised of at least three individuals, each of whom will be an independent director. Currently Amy Griffith, Richard Levychin and David Welch (Chair) 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 ^c	Option-Based Awards	All Other Compensation	Total Compensation
Ingo W. Mueller, Chief Executive Officer	2022	392,464	375,718	359,881	6,866	1,741	1,136,670
	2021	299,299	282,808	155,668	279,632	14,958	1,032,365
Richard S. Wong, Chief Financial Officer	2022	295,216	134,696 ^a	86,456	28,831	1,741	546,940
	2021	237,582	132,070	37,397	186,422	-	593,471
Troy T. McClellan, Vice President Design & Construction	2022	246,732	69,162 ^b	76,846	30,132	1,741	424,613
	2021	206,280	80,774	35,456	167,778	-	490,288
Mauro Pennella, Chief Marketing Officer, President AgriFORCE™ Brands	2022	268,962	-	115,269	45,593	1,741	431,565
	2021	128,841	-	55,179	85,693	-	269,713

(a) Bonus was paid out \$101,022 in shares and \$33,674 in cash.

(b) Bonus was paid out \$69,162 in shares

(c) Some share-based awards were issued net of income taxes. The Company repurchased shares on the issuance date to remit as income taxes to the appropriate government revenue service agencies.

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 13, 2023 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.

	<u>Common shares</u>	<u>Options Granted vested within 60 days of March 13, 2023</u>	<u>Warrants</u>	<u>Total</u>	<u>Percentage beneficially owned</u>
Directors and Officers:					
Ingo Mueller	1,060,083 ^a	169,592	-	1,229,675	6.7%
Richard Wong	130,244	77,980	-	208,224	1.1%
Troy McClellan	445,581	64,126	-	509,707	2.8%
Mauro Pennella	56,073	37,141	-	93,214	0.5%
John Meekison	43,208	30,405	-	73,613	0.4%
David Welch	52,450	26,459	-	78,909	0.4%
Amy Griffith	-	16,511	-	16,511	0.1%
Richard Levychin	-	16,511	-	16,511	0.1%
Total all officers and directors (8 persons)*	1,787,639	438,725	-	2,226,364	12.1%
5% or Greater Beneficial Owners					
Ingo Mueller	1,060,083 ^a	169,592	-	1,229,675	6.7%
Manna Nutritional Group, LLC	1,637,049	-	-	1,637,049	9.0%

(a) Includes (1) 60,757 common shares held by St. George Capital Corp. of which Mr. Mueller is the President, (2) 193,766 common shares held by 1071269 BC Ltd. of which Mr. Mueller is the sole owner, and (3) 14,532 common shares held by 1178196 BC Ltd. of which Mr. Mueller is an affiliate.

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 N&CG 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, 2022, \$32,500 (December 31, 2021, \$47,461) 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, 2022 and 2021, the Company incurred \$79,457 and \$66,246, respectively, to our U.S. general counsel firm, D R Welch against legal services, a corporation controlled by a director of the Company. No shares were issued in the year ended December 31, 2022 (an aggregate of 13,158 shares were issued – December 31, 2021) to David Welch as part of the payment.

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, 2022	December 31, 2021
Audit Fees ^a	\$ 170,000	\$ 126,000
Audit – Related Fees	197,649	83,954
	\$ 367,649	\$ 209,954

(a) Amounts represent the contractual fees related to the fiscal year, not the accrued fees incurred during the year.

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, 2022 and 2021, 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, 2022 and 2021

Consolidated Statements of Comprehensive Loss for the years ended December 31, 2022 and 2021

Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2022 and 2021

Consolidated Statements of Cash Flows for the years ended December 31, 2022 and 2021

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.

<u>Exhibit No.</u>	<u>Description</u>
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 13, 2023

By: /s/ Ingo Mueller

Name: Ingo Mueller

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

Date: March 13, 2023

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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Ingo Mueller</u> Ingo Mueller	Chief Executive Officer, Chairman of the Board of Directors	March 13, 2023
<u>/s/ Richard Wong</u> Richard Wong	Chief Financial Officer	March 13, 2023
<u>/s/ John Meekison</u> John Meekison	Director	March 13, 2023
<u>/s/ Richard Levychin</u> Richard Levychin	Director	March 13, 2023
<u>/s/ Amy Griffith</u> Amy Griffith	Director	March 13, 2023
<u>/s/ David Welch</u> David Welch	Director	March 13, 2023

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:

un(Think) Food Company Canada Ltd.

AgriFORCE Investments Inc.

West Pender Holdings Inc.

AGI IP Co.

West Pender Management Co.

un(Think) Food Company

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of AgriFORCE Growing Systems Ltd. on Form S-3 (File No. 333-266722) and Form S-8 (File No. 333-259052) of our report dated March 13, 2023, 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, 2022 and 2021 and for the years ended December 31, 2022 and 2021, which report is included in this Annual Report on Form 10-K of AgriFORCE Growing Systems Ltd. for the year ended December 31, 2022.

Our report on the consolidated financial statements refers to a change in the method of accounting for leases effective January 1, 2022.

/s/ Marcum LLP

Marcum LLP
Costa Mesa, California
March 13, 2023

**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 13, 2023

/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 13, 2023

/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, 2022 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 13, 2023

/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, 2022 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 13, 2023

/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.
