CUBICFARM SYSTEMS CORP.

ANNUAL INFORMATION FORM FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2021

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cubicfarm
SYSTEMS CORP.

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ANNUAL INFORMATION FORM

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2021

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INTRODUCTORY NOTES

Date of Information

In this Annual Information Form (the "**AIF**"), unless the content otherwise requires, references to the "Company" or "CubicFarms" mean CubicFarm Systems Corp. and its subsidiaries. The information in this AIF is as at December 31, 2021, with subsequent events disclosed to March 31, 2022 except where expressly noted. The AIF is filed in conjunction with the Company's audited financial statements for the financial year ending December 31, 2021.

Currency

All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

Cautionary Note Regarding Forward-Looking Information

This AIF contains certain "forward-looking information" and "forward-looking statements" (collectively, "**forward-looking statements**"), within the meaning of applicable Canadian securities laws, which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Such statements can be identified by the use of forward-looking terminology such as "expect", "likely", "may", "will", "should", "intend", "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. Such forward-looking statements are made as of the date of this AIF. Forward-looking statements in this AIF include, but are not limited to, statements with respect to:

- the performance of the Company's business and operations;
- the intention to grow the business, operations and potential activities of the Company;
- the anticipated growth of the industry;
- the competitive conditions of the industry;
- the applicable laws, regulations and any amendments thereof;
- the competitive and business strategies of the Company;
- the projected Sales Pipelines of the Company;
- the anticipated benefits of the Company's strategic investor and reseller relationships; and
- the anticipated future gross revenues and profit margins of the Company's operations.

With respect to the forward-looking statements contained in this AIF, the Company has made assumptions regarding, among other things:

- operating and capital costs, including the amount and nature thereof;
- the Company's ability to generate sufficient cash flow from operations and to access existing credit facilities and capital markets to meet its future obligations;

- the effect of the COVID-19 pandemic on the Company's business;
- trends and developments in the Company's industry;
- business strategy and outlook;
- opportunities available to or pursued by the Company;
- expansion and growth of business and operations;
- the Company's ability to attract and retain qualified personnel or management;
- credit risks;
- anticipated acquisitions; and
- stability of general economic and financial market conditions.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements. Some of the risks and other factors, some of which are beyond the Company's control, which could cause results to differ materially from those expressed in the forward-looking statements contained in this AIF include, but are not limited to:

- general economic, market and business conditions in Canada and other countries, including reduced availability of debt and equity financing generally;
- the Company's ability to maintain current financing and to raise equity and/or debt financing on acceptable terms;
- risks relating to the effective management of the Company's growth;
- liabilities and risks, including environmental liabilities and risks associated with the Company's operations;
- the execution of strategic growth plans;
- the Company's ability to attract and retain customers;
- the competitive nature of the industries in which the Company operates;
- competition for, among other things, capital and skilled personnel and management;
- limitations on insurance;
- failure to obtain industry partner and other third-party consents and approvals when required;
- failure to obtain granted patents for applied patents and failure to have patent assignments properly recorded;

- imprecision in estimating capital expenditures and operating expenses;
- fluctuations in pricing environments;
- stock market volatility;
- the impact of new laws and regulatory requirements and other laws and regulations and changes in how they are interpreted and enforced;
- the Company's ability to maintain required regulatory approvals;
- geopolitical, political and economic conditions;
- the results of litigation or regulatory proceedings that may be brought against the Company;
- changes in income tax laws;
- management's success in anticipating and managing the foregoing factors; and
- the other factors disclosed under *"Risk Factors"* in this AIF.

Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this AIF are expressly qualified by this cautionary statement. The Company is not under any duty to update any of the forward-looking statements after the date of this AIF or to conform such statements to actual results or to changes in the Company's expectations and the Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

GLOSSARY OF DEFINED TERMS

Unless otherwise defined herein, the following terms used in this AIF have the meanings set forth below:

"$"	means Canadian dollars.
"AIF"	means this Annual Information Form of CubicFarms.
"BCBCA"	means the *Business Corporations Act* (British Columbia), as amended from time to time.
"BDC"	means BDC Capital Inc.
"BDC Financing"	means the secured loan in the amount of $5,000,000 provided to the Company by BDC.
"Blue Sky Financing"	means the private placement completed by CubicFarms on December 17, 2020, whereby the Company issued and sold 5,222,300 Common Shares to Blue Sky Farms, LLC at a price of $0.90 per Common Share for gross proceeds of $4,700,070.
"Board"	means the board of directors of CubicFarms.
"Burnett"	means Burnett Land & Livestock Ltd., LLLP.
"Burnett Financing"	means the private placement completed by CubicFarms on April 6, 2021, whereby the Company issued and sold 1,464,622 Common Shares to Burnett at a price of $1.29 per Common Share for gross proceeds of USD$1,500,000.
"CEO"	means Chief Executive Officer.
"CFO"	means Chief Financial Officer.
"Class A Preferred Shares"	means Class A Preferred Shares in the capital of CubicFarms.
"Class B Preferred Shares"	means Class B Preferred Shares in the capital of CubicFarms.
"Common Shares"	means the common shares in the capital of CubicFarms.
"CubicFarms" or the "Company"	means CubicFarm Systems Corp.

"CubicFarm System"	means the CubicFarm System, CubicFarms' unique modular growing system.
"Cubic China"	means CubicFarm Systems (Shanghai) Corp.
"Cubic Manufacturing"	means Cubic Manufacturing Ltd.
"First Amended Shelf Prospectus"	means the amended and restated short form base shelf prospectus amending the Shelf Prospectus to allow the Company to offer and issue up to $40,000,000 of Common Shares, debt securities, subscription receipts, convertible securities, warrants and units, or any combination of such securities, during the 25 month period following the filing of the Shelf Prospectus, which securities may be offered together, in amounts, at prices and on terms to be determined based on market conditions at the time of an offering, which would be set forth in one or more prospectus supplements.
"First Over-Allotment Option"	means an option granted by the Company to the underwriters pursuant to the First Underwriting Agreement, whereby the underwriters may purchase up to an additional 1,666,667 Common Shares at a price of $0.90 per Common Share, for a period of 30 days following the closing date of the First Underwritten Offering.
"First Underwriting Agreement"	means the underwriting agreement dated December 17, 2020, between the Company, Raymond James Ltd. and Canaccord Genuity Group.
"First Underwritten Offering"	means the offering of 11,111,111 Common Shares at a price of $0.90 per Common Share for gross proceeds of $10,000,000 made pursuant to the First Underwriting Agreement by way of a prospectus supplement to the Shelf Prospectus filed by the Company on December 17, 2020.
"HGG"	means HydroGreen Global, LLC
"HydroGreen"	means the Company's subsidiary HydroGreen, Inc.
"HydroGreen Acquisition"	means the Company's acquisition of HydroGreen which was completed effective January 1, 2020.
"HydroGreen System"	means HydroGreen's Automated Vertical Pastures™ system for growing nutritious livestock feed.
"NI 52-110"	means National Instrument 52-110 - *Audit Committees.*
"Ospraie"	means Ospraie Ag Science, LLC.

"Ospraie Financing"	means the private placement completed by CubicFarms on May 13, 2020, whereby the Company issued and sold 21,739,130 Common Shares to Ospraie at a price of $0.23 per share for aggregate consideration of $5,000,000.
"Ospraie Secondary Financing"	means the secondary market purchase completed by Ospraie from certain CubicFarms shareholders on August 7, 2020, whereby Ospraie purchased 7,500,000 Common Shares at a price of $0.70 per share for aggregate consideration of $5,250,000.
"Sales Pipeline"	means CubicFarms' early-stage discussions with various companies across Canada and internationally to develop customer interest for the purchase of machines.
"Second Amended Shelf Prospectus"	means the amended and restated short form base shelf prospectus amending and restating the First Amended Shelf Prospectus to allow the Company to offer and issue up to $100,000,000 of Common Shares, debt securities, subscription receipts, convertible securities, warrants and units, or any combination of such securities, during the 25 month period following the filing of the Shelf Prospectus, which securities may be offered together, in amounts, at prices and on terms to be determined based on market conditions at the time of an offering, which would be set forth in one or more prospectus supplements.
"Second Over-Allotment Option"	means an option granted by the Company to the underwriters pursuant to the Second Underwriting Agreement, whereby the underwriters may purchase up to an additional 2,444,445 Common Shares at a price of $1.35 per Common Share, for a period of 30 days following the closing date of the Second Underwritten Offering.
"Second Underwriting Agreement"	means the underwriting agreement dated May 28, 2021, between the Company, Raymond James Ltd., Roth Canada, ULC, Canaccord Genuity Group. and Stifel Nicolaus Canada Inc.
"Second Underwritten Offering"	means the offering of 16,296,297 Common Shares at a price of $1.35 per Common Share for gross proceeds of $22,000,000 made pursuant to the Second Underwriting Agreement by way of a prospectus supplement to the First Amended Shelf Prospectus filed by the Company on April 20, 2021.
"SEDAR"	means the System for Electronic Document Analysis and Retrieval, the electronic filing system for the disclosure documents of public companies and investments funds across Canada, available at *www.sedar.com*.
"Shelf Prospectus"	means the short form base shelf prospectus allowing the Company to offer and issue up to $25,000,000 of Common Shares, debt securities, subscription receipts, convertible securities, warrants and units, or any combination of such securities, during the 25 month period following the filing of the prospectus,

	which securities may be offered together, in amounts, at prices and on terms to be determined based on market conditions at the time of an offering, which would be set forth in one or more prospectus supplements.
"Spin-Out"	means the distribution by Bevo to its shareholders of the Common Shares previously held by Bevo.
"Swiss Leaf Asset Acquisition"	means the acquisition of growing modules and certain assets of Swiss Leaf Farms worth $1,500,000 payable by $750,000 in cash and the balance offset by CubicFarms' investment in Swiss Leaf Farms.
"Swiss Leaf Farms"	means Swiss Leaf Farms Ltd.
"Third Underwriting Agreement"	means the underwriting agreement dated November 19, 2021, between the Company, Raymond James Ltd., Canaccord Genuity Group. and Echelon Wealth Partners Inc.
"Third Underwritten Offering"	means the offering of 16,000,000 Common Shares at a price of $1.25 per Common Share for gross proceeds of $20,000,000 made pursuant to the Third Underwriting Agreement by way of a prospectus supplement to the Second Amended Shelf Prospectus filed by the Company on October 13, 2021.
"TSX" or the "Exchange"	means the Toronto Stock Exchange.
"TSX-V"	means the TSX Venture Exchange.
"Viking West"	means Viking West Engineered Products Ltd.
"Yuxin"	means Shandong Yuxin Mechanical & Electrical Manufacturing Co., Ltd.

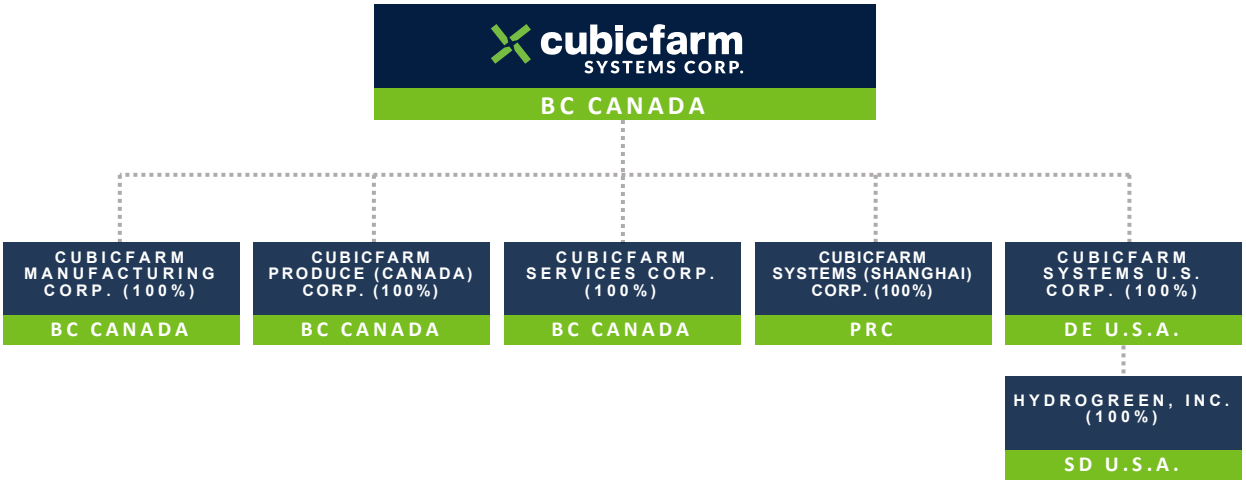
CORPORATE STRUCTURE

Name, Address and Incorporation

CubicFarms Systems Corp. was incorporated on October 8, 2015, pursuant to the provisions of the BCBCA under the name 4D Enterprises Ltd., and subsequently changed its name to Forty Foot Farms Ltd. on February 11, 2016, and to CubicFarms Systems Corp. on June 27, 2016. The head office of CubicFarms is located at 7170 Glover Road, Langley, British Columbia V2Y 2R1, and the registered and records office is located at 2900 – 550 Burrard Street, Vancouver, British Columbia, V6C 0A3.

Inter-Corporate Relationships

The following are the Company's wholly-owned subsidiaries and their corresponding places of incorporation:



In order to simplify its corporate structure, on December 31, 2021, the Company vertically amalgamated former subsidiary CubicFarm Innovation Corp. into CubicFarm Capital Corp.; and on January 1, 2022, the Company horizontally amalgamated CubicFarm Capital Corp. and CubicFarm Services Corp. into CubicFarm Produce (Canada) Corp. The result is two Canadian operating companies: (1) CubicFarm Manufacturing Corp., which manufactures and sells CubicFarm Systems; and (2) CubicFarm Produce (Canada) Corp., which provides consulting and brokerage services to both existing and potential CubicFarms customers.

GENERAL DEVELOPMENT OF THE BUSINESS

Founded in October 2015, CubicFarms is a local chain agricultural technology company developing automated, on site commercial-scale food and livestock feed technologies. The Company's proprietary technologies enable growers to provide high-quality, predictable produce and fresh livestock feed on site, indoors, all year round, which provides an efficient, localized food supply solution.

CubicFarms is a technological leader in indoor growing with a senior leadership team with over 80 years of cumulative industry experience.

Three-Year History

- On July 9, 2019, the Company's Common Shares commenced trading on the TSX-V as a Tier One Issuer under the symbol "CUB".
- On September 24, 2019, the Company appointed Rodrigo Santana as its interim CFO. Supported by the rest of the CubicFarms finance team, Santana continued his role as Chief Operating Officer. Santana was experienced in the dual role of COO and CFO where he held both positions in his previous employment at Sacré-Davey Engineering.
- On November 6, 2019, the Company announced that it had entered into a global Reseller Agreement with Groviv, a leader in the science and technology of controlled-environment agriculture. Groviv, a division of Nu Skin Enterprises Inc. — a minority investor in CubicFarms— will lead global sales for CubicFarms. In January 2020, Groviv was renamed to Grōv Technologies.
- On December 23, 2019, the Company announced the appointment of Jeff Booth as a member of the Board, subject to customary TSX-V approval. Booth has more than 25 years of experience as an entrepreneur, responsible for growing innovative online marketplace BuildDirect.com to over $120 million in annual revenues.
- Effective January 1, 2020, the Company completed the HydroGreen Acquisition.
- On January 23, 2020, following the Company's annual meeting of shareholders, Jeff Booth was appointed as Chairman of the Board.
- On March 5, 2020, the Company appointed Tim Fernback as Chief Financial Officer of the Company.
- On May 13, 2020, the Company issued and sold 21,739,130 Common Shares to Ospraie at a price of $0.23 per share for aggregate consideration of $5,000,000.
- Effective July 1, 2020, the Company issued 926,845 Common Shares to the former shareholders of HydroGreen representing the portion of the 1,000,000 Common Share holdback payable to such former shareholders of HydroGreen.
- On July 20, 2020, the Company entered into a Reseller Agreement with HGG. HGG has been engaged to help drive the promotion, marketing and sales of HydroGreen Systems.
- On July 23, 2020, the Company completed a private placement pursuant to which it issued and sold an aggregate of 1,659,600 Common Shares to certain subscribers at a price of $0.70 per share for aggregate consideration of $1,161,720.
- On August 7, 2020, certain Company shareholders completed the Ospraie Secondary Financing at a price of $0.70 per share for aggregate consideration of $5,250,000, resulting in a cumulative 25.4% ownership in CubicFarms post-transaction.
- On August 28, 2020, the Company completed the BDC Financing.
- On September 17, 2020, the Company appointed Chris Papouras to the Board. Papouras currently serves as strategic advisor at Ospraie.

- On October 8, 2020, the Company appointed Dan Schmidt as Senior Vice President of Global Sales.
- On October 28, 2020, Cubic China was incorporated as a wholly-owned subsidiary of the Company to assist the Company's supply chain and general business opportunities in China. Jerry Li joined Cubic China as President. Jerry Li is a long-time partner of the Company with well-established business connections in China.
- On November 23, 2020, the Company announced the sale of 16 CubicFarm Systems to Aright Greentech Canada Ltd., a British Columbia based agriculture investor-operator, to grow commercial quantities of fresh produce for retail markets in the Abbotsford and Chilliwack regions in British Columbia, Canada. The agreement, which includes a refundable deposit received from Aright Greentech, represents approximately $2,800,000 in anticipated revenue to the Company.
- On November 25, 2020, the Company announced the sale of 21 CubicFarm Systems to Vertical Acres Farm LLC, an Indiana based produce company, to grow commercial quantities of fresh produce for the region. The agreement, which includes a deposit received from Vertical Acres, represents approximately $3,800,000 in anticipated revenue to the Company.
- On December 14, 2020, the Company announced the sale of 10 CubicFarm Systems in Metropolitan Vancouver to 1241876 B.C. Ltd., doing business as FutureLife Produce. The sale represents approximately $1,800,000 in sales revenue to the Company. FutureLife Produce is constructing CubicFarms' largest vertical farming system installation to date with a 100-machine project currently planned to operate in Surrey, British Columbia, and intends to install 10 additional machines at a strategic location in order to service the local food services market directly and seamlessly.
- On December 14, 2020, the Company filed the Shelf Prospectus with the securities commissions in each of the provinces of Canada, except Quebec.
- On December 21, 2020, the Company completed the First Underwritten Offering by way of a prospectus supplement to the Shelf Prospectus filed by the Company on December 17, 2020. The Company issued a total of 12,777,777 Common Shares at a price of $0.90 per Common Share for aggregate consideration of $11,499,999, which included the exercise, in full, of the First Over-Allotment Option.
- On December 21, 2020, the Company completed the Blue Sky Private Placement.
- On January 19, 2021, the Company changed its financial year-end from June 30 to December 31 and changed its auditor from MNP LLP to KPMG LLP.
- On March 2, 2021, the Company appointed Edoardo De Martin as Chief Technology Officer of the Company. De Martin has more than 20 years of experience in the technology industry. Prior to joining CubicFarms, De Martin spent 10 years at Microsoft working in various roles including General Manager of the Microsoft Vancouver Development Centre, as well as driving innovation as GM of Dynamics Mixed Reality Applications on HoloLens.
- On March 18, 2021, the Company appointed a Scientific Advisory Board. The Scientific Advisory Board is comprised of top experts in the fields of agriculture and technology and is primarily responsible for making recommendations to the Company's senior leadership team regarding research and development priorities.

- On April 6, 2021, the Company appointed Tom Liston as VP of Corporate Development. Liston will provide the Company with strategic business development and capital markets advisory services. He currently serves on several boards of directors for public and private technology companies and has a strong track record of shareholder value creation in that capacity.

- On April 6, 2021, the Company completed the Burnett Financing. Burnett is a strategic investor to CubicFarms interested in further advancing the HydroGreen technology and is a large US-based beef cattle rancher and dairy farmer with over 17,000 cattle located on 35,000 acres.

- On April 6, 2021, the Company announced an agreement with Burnett, for 12 HydroGreen beta machines, daily feed production supply, and includes collaboration on a research program and feed analysis with HydroGreen. As part of the agreement, HydroGreen and Burnett will collaborate on the collection of data and research to quantify the livestock feed nutrition benefits, dry matter yield gain, performance of the herd, with special interest in fertility, milk production and overall wellbeing of the animals. This beta project, called HydroGreen Automated Vertical Pastures™, will include the first installation of the commercial scale HydroGreen GLS808 machines on a large-scale farm. The 12 HydroGreen GLS808 machines, once installed, can produce 80% more fresh livestock feed than HydroGreen's legacy systems, providing Burnett with up to 72,000 lbs. of feed daily. Burnett will purchase all the daily feed production supply with the option to purchase the machines and expand to accommodate Burnett's full operational needs.

- On April 20, 2021, the Company filed the First Amended Shelf Prospectus with the securities commissions in each of the provinces of Canada, except Quebec.

- On April 20, 2021, the Company was awarded a Nexus Innovation Award for HydroGreen's Vertical Pastures Grow System, an automated, on farm fresh livestock feed technology. HydroGreen's unique automated technology for growing on farm fresh livestock feed was selected by dairy farmers because with this technology, dairies can gain more control over feed production and conserve water and land without the need for chemicals or fertilizers.

- On April 23, 2021, the Company announced the sale of 18 CubicFarm Systems to BoomA Food Group, an Australian corporation that will operate the first commercial scale farm in Australia. BoomA Food Group will use the CubicFarm Systems to grow commercial scale amounts of produce in New South Wales. The agreement, which includes a deposit received from BoomA Food Group, represents approximately USD$2,700,000 in anticipated revenue to the Company.

- On April 29, 2021, the Company entered into an agreement with BDC to renegotiate the terms of the variable loan bonus terms pursuant to the BDC Financing. The new terms of the variable bonus will fix the payment to $425,000, comprised of $225,000 of cash and $200,000 of Common Shares at a price equal to the closing price of the Common Shares on the trading day immediately following the release of the Company's December 2020 Audited Financial Statements, subject to applicable law and the policies of the TSX-V.

- On May 14, 2021, the Company announced that Janet Wood was appointed to the Board.

- On May 17, 2021, the Company announced the sale of 12 HydroGreen Automated Vertical Pastures™ for $2,000,000 to Grohs International, LLC.

- On June 3, 2021, the Company completed the Second Underwritten Offering by way of a prospectus supplement to the First Amended Shelf Prospectus filed by the Company on May 28, 2021. The Company issued a total of 18,740,742 Common Shares at a price of $1.35 per Common Share for aggregate consideration of $25,300,001, which included the exercise, in full, of the Second Over-Allotment Option.

- On September 1, 2021, the Company commenced trading on the TSX, continuing to trade under the symbol “CUB”.
- On September 1, 2021, the Company announced that it renegotiated and cancelled 4,067,759 share purchase warrants held by Cubic Manufacturing. On August 20, 2021, Cubic Manufacturing exercised 3,662,966 of its remaining 10,062,337 share purchase warrants.
- On September 1, 2021, the Company announced a project to deliver 96 CubicFarm Systems, the Company’s largest project to date. This next generation high-density system, called FreshHub, is the next level of indoor growing aiming to significantly localize food production. Leveraging the land and water efficiencies of the CubicFarm System, the new stacked configuration of the FreshHub will include 96 CubicFarm Systems occupying one acre of land. New features of the FreshHub include a new agricultural building design that reduces capital costs, new farm infrastructure, workflow design, automation components, and proprietary software. The Company received a $1,200,000 refundable deposit from a private investor group for the installation of the FreshHub in the Lower Mainland area of Vancouver, British Columbia, Canada.
- On October 5, 2021, the Company announced the Swiss Leaf Asset Acquisition and establishment of the Alberta Grow Centre in Busby, Alberta.
- On October 5, 2021, the Company announced Total Dairy Solutions US, LLC, and Settje Agri Services & Engineering Inc. as new HydroGreen Certified Dealers with initial sales commitments valued at over $10,000,000.
- On October 13, 2021, the Company filed the Second Amended Shelf Prospectus with the securities commissions in each of the provinces of Canada, except Quebec.
- On October 18, 2021, the Company announced the appointment of Sandy Gerber as Chief Marketing Officer.
- On October 25, 2021, the Company announced Grohs International, LLC, and Hansen Industries as new HydroGreen certified dealers with initial sales commitments valued at $7,500,000.
- On November 15, 2021, the Company announced the sale of 3 HydroGreen Systems to Magnussen Cattle Company for $450,000.
- On November 16, 2021, the Company announced HydroGreen CanWest, as a new HydroGreen Certified Dealer with initial sales commitments valued at $2,700,000. HydroGreen CanWest is a 50/50 joint venture between Bill Vanderkooi, founder of Nutriva and owner of Nutritech Solutions, a livestock technology company, and Ryan de Lange, owner of J&D Farmers Dairy Service, a leading supplier of dairy automation technology.
- On November 24, 2021, the Company completed the Third Underwritten Offering by way of a prospectus supplement to the Second Amended Shelf Prospectus filed by the Company on October 13, 2021. The Company issued a total of 16,000,000 Common Shares at a price of $1.25 per Common Share for aggregate consideration of $20,000,000.
- On January 12, 2022, the Company announced G. David Cole was appointed to the Board.
- On January 20, 2022, the Company announced the sale of 12 HydroGreen Automated Vertical Pastures™ to Grohs International, LLC for approximately $1,260,000.

- On February 7, 2022, the Company announced the appointment of Tom Wiltrout to the HydroGreen Business Advisory Board. Wiltrout is a senior executive at Ospraie.
- On February 15, 2022, the Company announced Central Confinement Services LLC as new HydroGreen certified dealer with initial sales commitments valued at $2,250,000.
- On March 7, 2022, the Company announced the sale of 27 CubicFarm modules in Winnipeg, Manitoba at a sale price of $5,130,000.
- On March 10, 2022, the Company announced that effective April 1, 2022, Tim Fernback will be stepping down as CFO and Dan Burns will be appointed as Interim CFO. Fernback will continue to act as a consultant to the Company working on several important corporate initiatives and remain on the Company's Scientific Advisory Board.
- On March 25, 2022, the Company announced the appointment of Edoardo De Martin as President of CubicFarms, in addition to his role as Chief Technology Officer of the Company.

DESCRIPTION OF THE BUSINESS

CubicFarm Systems Corp. is a local chain agricultural technology company that provides unique automated onsite commercial-scale food and livestock feed technologies. CubicFarms' technologies convert wasteful long supply chain agriculture into local chains to improve independent access to quality food and maximize crop yield all while reducing the environmental cost of food and feed production. These technologies provide independent and efficient fresh produce and livestock feed supply for every city, community, government, and country, 365 days a year.

The Company operates two segments, which are its Fresh Division and Feed Division. The Fresh Division and Feed Division use two distinct technologies that address two distinct markets.

Fresh Division

The Company's Fresh Division operates using the patented CubicFarm™ System, which contains CubicFarms' patented technology for growing leafy greens and other crops. It is a unique modular growing system which is the result of eight years of research by Dutch greenhouse growers, Jack and Leo Benne. Jack and Leo Benne were the majority shareholders of Bevo Agro Inc., one of the largest plant propagation businesses in North America. The CubicFarm System modules address two of the most difficult challenges in the vertical farming industry, being high electricity and labour costs, using unique undulating path technology. CubicFarms leverages its patented Crop Motion Technology™ by operating its own Research and Development ("R&D") facilities in both Pitt Meadows, British Columbia, and Busby, Alberta, selling the CubicFarm System modules to farmers, licensing its technology, and providing access to CubicFarms Gardens, an industry-leading vertical farming produce brokerage service, to its customers.

Feed Division

The Company's Feed Division operates using the HydroGreen Automated Vertical Pastures™, the Company's technology for growing nutritious livestock feed. HydroGreen Automated Vertical Pastures™ were invented by Dihl Grohs, a rancher with operations in South Dakota, Utah, and Missouri. These machines utilize a unique process to sprout grains, such as barley and wheat, in a controlled environment with minimal use of land, labour and water. The HydroGreen System is fully automated and performs all growing functions including seeding, watering, lighting, harvesting, and re-seeding – all with the push of a button – to deliver nutritious livestock feed without the typical investment in fertilizer, chemicals, fuel, field equipment and transportation. The HydroGreen machines not only provide superior nutritious feed to benefit the animal, but also enable significant environmental benefits to the farm. CubicFarms completed

the HydroGreen Acquisition in January 2020 for a total purchase price of $4.3 million, representing 3.8x trailing twelve months revenue of HydroGreen Inc.

Production

Fresh Division

Manufacturing

In May 2017, CubicFarms signed an agreement with Cubic Manufacturing, an entity not related to CubicFarm Systems Corp., or its subsidiaries, to establish dedicated manufacturing resources in China. Cubic Manufacturing acquires and assembles the main mechanical components of the containers.

In September 2020, CubicFarms signed an agreement with Shandong Yuxin Mechanical & Electrical Manufacturing Co., Ltd. (Jining, China) and Viking West Engineered Products Ltd. (Langley, BC, Canada) to establish additional manufacturing capability in China. Additional manufacturing capability increases production by approximately 40 CubicFarms Systems per month inside the approximate 320,000 square foot facility operated by Yuxin.

In August 2021, with additional manufacturing capability being made available to CubicFarms at Yuxin, the Company terminated its agreement with Cubic Manufacturing.

Research and Development

CubicFarms operates R&D facilities in Pitt Meadows, British Columbia (the “Pitt Meadows Innovation Centre”), and Busby, Alberta (the “Alberta Grow Centre”), which are used for plant science R&D, development of farm operating protocols, and both hardware and software testing. During the third quarter of 2021, the Company established the Alberta Grow Centre, as a result of the Swiss Leaf Asset Acquisition.

With 14 CubicFarm Systems currently in operation at the Alberta Grow Centre, in addition to the 12 CubicFarms Systems currently in operation at the Pitt Meadows Innovation Centre, this will accelerate the Company’s R&D and the Company will use this expansion to further test its standard operating procedures and accelerate technological advancements for its indoor growing technologies.

Feed Division

Manufacturing

HydroGreen products are manufactured at a 21,620 square foot warehouse and office space at HydroGreen’s principal place of business located at 25781 Cottonwood Avenue, Sioux Falls, South Dakota 57107.

Research and Development

HydroGreen has developed a 12,000 square foot aptly named “HydroGreen Innovation Center” located at 47172 Haylie Street, Sioux Falls, South Dakota 57107. The HydroGreen Innovation Center currently contains three HydroGreen Machines of varying sizes and model types and will be used for research and development, product testing, customer visits, partner training and feed trials.

HydroGreen plans to carry out additional research and development activities on several of its beta/early adopter customer sites in the current fiscal year, including Burnett’s Land & Livestock dairy in Wyoming, USA, Crosswind Jerserys Inc. dairy in South Dakota, USA, and the Bakerview Beef Cattle and Dairy Farm in Abbotsford, British Columbia, Canada.

Specialized Skill and Knowledge

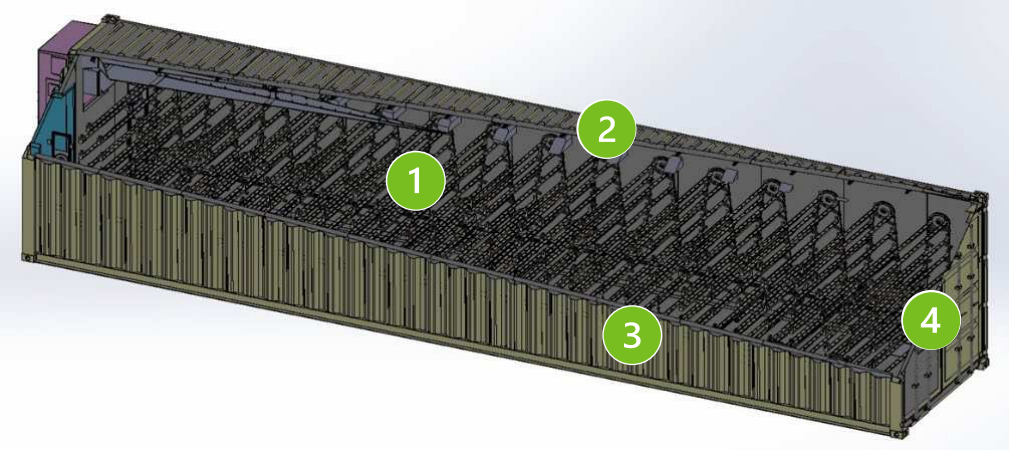
Through the Company's executives, officers, directors, consultants and employees, the Company has the necessary expertise and experience in engineering, cultivation, manufacturing, sales and global entrepreneurship to drive growth at an international level.

Employees

CubicFarms, including all of its subsidiaries, had 159 employees and full-time contractors as of December 31, 2021, and approximately 122 employees and full-time contractors as of the date of this AIF. Of this total, the Company had 39 employees and full-time contractors (December 31, 2021) and 41 employees and full-time contractors (as of the date of this AIF) located in South Dakota, USA within the HydroGreen, Inc. subsidiary. No CubicFarms employees are represented by a labour union and there is no collective bargaining agreement in place.

CubicFarms Products

CubicFarm System for Growing Vegetables, Leafy Greens and Herbs



COMPONENT	DESCRIPTION
1	Crops are cycled within growing trays along a conveyor system in the same shape of an undulating path. The growing trays advance every 30 seconds to 5 minutes, depending on the crop and stage of crop, and can complete a full rotation in as little as 90 minutes.
2	As crops cycle through the machine, they are bathed in lights mounted on the ceiling. All sides of plants are exposed to light as the undulating path creates 14 V shaped valleys, above which the lights are mounted. Stainless steel surfaces aid in light reflection.
3	As crop trays reach the bottom return track, they are dosed with nutrient rich water, according to the specific crop and stage of the crop to further optimize growth. Water is also captured and recycled at this point in the process.
4	Each machine has double wide doors that open into the centralized, climate controlled clean work area, where crops are planted and harvested. Each tray is brought to the front during each rotation for maximum labour efficiency. Each machine also has its own air handling unit to further optimize the environment for each crop.

A standard CubicFarm System at a customer location contains the following:

- CubicFarms' growing machines (each called a "Cultivator")
- CubicFarms' propagation machine for germination (each called a "Propagator")
- Irrigation and nutrient system (each called a "Fertigator")

The growing machines and propagation machines use a patented conveyor to minimize water, electricity, land and labour required. All CubicFarm System components are contained inside custom insulated stainless-steel chambers. These chambers are the same size and shape as a high cube ocean shipping container, making it easy to transport. The conveyor follows an undulating path that cycles at least 252 growing trays up and down in vertical columns. The CubicFarm System is capable of growing multiple varieties of lettuce, basil, and microgreens, nutraceutical ingredients, and the Company intends to expand the assortment of crops that can be successfully grown in the CubicFarm System. Microgreens are small vegetables, such as radishes, harvested at an early stage of their growth, and valued by fine dining establishments for their intense flavour and colour as garnish on salads and other menu items, as well for being a superfood because of their rich nutritional value.

CubicFarms' growing trays shift every 30 seconds to five minutes as they move along the conveyor belt. Crops complete a full cycle of the growing chamber in as little as 90 minutes, but speeds can be optimized to accommodate harvesting, planting or plant growth. Each growing tray is exposed to an equal amount of light and nutrient-rich water during rotations. The crops sustain this continuous cycle until they are fully grown. Temperature, humidity, CO_2, rotation speed and nutrient levels are adjusted to create the optimal growing environment for each crop. CubicFarms believes that these crops are demonstrably superior—better in size, colour, appearance, flavour, and consistency than crops grown with traditional warehouse technology.

Plants within a CubicFarm System are grown hydroponically. Some crops are first germinated in the proprietary CubicFarms propagation machine described below, and then transplanted into the growing machine. Other broadcast seeded crops are planted directly into the growing trays from germination through harvest. Crops are spaced optimally within each growing tray utilizing crop spacing inserts, allowing optimized density and an increased yield per cubic foot. Growing trays advance within the growing chamber as often as every 30 seconds, and a gentle rocking motion as part of the natural movement of the trays simulates adverse weather conditions such as wind thereby creating a heartier plant. Throughout the cycle within the CubicFarm System, each crop is subject to identical conditions, which leads to greater crop consistency.

CUBICFARM SYSTEMS

COMPONENT	DESCRIPTION
1	The centralized climate-controlled work area, into which every machine opens providing a centralized, clean work area for all planting, harvesting, and packing.

COMPONENT	DESCRIPTION
2	Each CubicFarm System module is built within a customized, insulated stainless steel container, each with their own climate control thus creating an optimized growing chamber for each crop.
3	1 irrigation machine towards the back of the system will feed each growing machine and can feed up to 50 CubicFarm growing modules. Additional systems can be easily added to expand capacity without disrupting existing capacity.

Each growing module opens into the centre of the building where farmers can access the growing trays and control temperature, humidity, lighting and irrigation. Unlike traditional warehouse growing, the CubicFarm System enables farmers to create ideal growing conditions for the specific crop inside each container. If the farmer is not physically present, the farmer can change growing conditions using a smartphone application and receive alerts when conditions require attention. The modular nature of the design easily accommodates scalability; CubicFarm System modules can be added according to the farm's growth requirements. While CubicFarm Systems are designed to be attached to a CubicFarms central building, they can also be inserted into any existing building if desired. They can also be connected to an existing building, offering incredible versatility for the location of growing operations.

Propagation Module for Germination (Propagator): Germination is efficiently done in a CubicFarms propagation module with modified trays and watering system to water plants from the bottom up, and customized control monitoring settings designed for germination. Depending on configuration, the machine can germinate between 80,000 and 120,000 seedlings inside one machine at up to a 100% germination rate. The tray configuration facilitates air pruning, where roots are exposed to air in the absence of high humidity. The roots are effectively "burned" off, causing the plant to constantly produce new and healthy branching roots. Air pruning saves time during the transplanting stage because there are no long, spiral roots to disturb (disturbed roots go dormant for two days). The plant develops quicker and is generally healthier once transplanted.

Propagation machine germinating seedlings from seed. Plants in the second row of tray from the left are being watered from the bottom up.

PROPAGATION MACHINE GERMINATING SEEDLINGS FROM SEED

High Density Crops: CubicFarm modules can also be configured with double the number of trays to accommodate high-value, low-light, broadcast seeded crops while maintaining the same flavour, quality and colour profiles provided by its typical configuration of 252 trays. Potential customers include nutraceutical companies and farmers growing crops such as microgreens, radish, cilantro and arugula.

CubicFarm modules growing high-density microgreens.

CUBICFARM MODULES GROWING HIGH-DENSITY MICROGREENS

Currently, CubicFarm Systems have successfully produced multiple of varieties of lettuce and herbs, and dozens of varieties of microgreens. Total growth time, depending on the type of crop, ranges from 5 to 36 days. A summary of the cultivation capabilities for growing modules in Canada for two selected crops is provided below. The projected economics are based on observed costs of production at the Pitt Meadows, British Columbia, facility.

PER MACHINE	LETTUCE	BASIL
Measure of unit	Heads	Plugs
Crops Per Cycle (units)	5,040	11,088
Cycles Per Year in a Cultivator	~20 (18 days per cycle)	~26 (14 days per cycle)
Wastage Rate	5%	5%
Net Annual Crops (units)	~95,760	~273,874

Broadcast seeding crops do not require transplant from a germination machine and their growing cycle is from 5 to 21 days. They have varying yields depending on the crop type and seeding density.

Illustrations of some of the successfully tested crop varieties are included below.

MICROGREENS | HERBS | BUTTER LETTUCE | ROMAINE LETTUCE | GREEN LEAF LETTUCE

CubicFarms Intellectual Property

CubicFarms owns a granted patent in certain countries covering certain aspects of the CubicFarm System. The title of the subject patent is “Method and Apparatus for Growing Plants along an Undulating Path”. A summary indicating the countries where the patent has been granted, and the countries where the patent application remains pending, is provided below.

PATENT STATUS	LOCATIONS
Granted	Australia, Canada, China, Eurasia (covering 8 countries: Armenia, Azerbaijan, Belarus, Kyrgyzstan, Kazakhstan, Russia, Tajikistan & Turkmenistan), Europe (covering 37 EU countries: Albania, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Macedonia, Malta, Monaco, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey & United Kingdom), Japan, New Zealand, Saudi Arabia, South Africa, S. Korea, United States & United Arab Emirates
Pending	India, Oman

In addition, CubicFarms has filed: (i) a ***PCT International Patent Application for its dunking system, entitled: “Apparatus, System and Method for Watering Plants***[(1)]***”***; and (ii) ***a Canadian design patent application, entitled “Container for Plants”***.

TRADEMARK	LOCATIONS	STATUS
CUBICFARM *(word mark)*	Australia, Canada, St. Maarten United Kingdom, China	Registered
CUBICFARM *(word mark)*	United States	Pending
CUBIC FARMING *(word mark)*	Canada	Registered
顾碧农 CUBICFARM *(word mark)*	China	Registered
CUBICFARM FRESHHUB *(word mark)*	China, European Union, United Kingdom, United States	Pending
FRESHHUB *(word mark)*	Canada	Pending
ALLWAYS LOCAL™ FARMING FOR THE FUTURE *(design mark)*	Australia, Canada	Pending
CROP MOTION TECHNOLOGY *(word mark)*	Canada, United States	Pending

Notes: (1) Pending in the national phase of the PCT procedure.

Advantages of the CubicFarm System

Product Quality

Fresher product due to customer proximity – The CubicFarm System enables indoor growing regardless of weather conditions or climate. As a result, CubicFarm Systems can be located close to customers and deliver fresh produce with a completely intact root, where appropriate. Harvesting with a intact roots results in crops staying fresh for a much longer period of time, so grocers and other produce vendors benefit from lower costs as a result of less spoilage. Harvesting with the root intact also enables the crop to remain fresh and continue growing after it leaves the facility.

Since the CubicFarm System can cultivate in any climate, crops can be locally grown by the customer rather than internationally imported. The result of local sourcing is much fresher, higher quality produce. An illustration comparing CubicFarms crops with those that are conventionally grown is provided below.

VARIETY	CUBICFARMS CROP	CONVENTIONALLY GROWN CROP
Lettuce		
Basil		
Microgreens		

Improved quality and taste – The environment of a CubicFarm System creates ideal growing conditions and allows harvests at a size that is more ideal for consumption. For example, the sweetest part of lettuce is right above the root, but when allowed to grow too large, it hardens and become inedible. Lettuce grown in a CubicFarm System can be harvested at the ideal time and, as a result, the entire head of lettuce can be eaten, with only the actual roots being discarded.

Improved food safety – The CubicFarm System grows crops in an enclosed growing container with minimal exposure to the external environment, substantially reducing the risk of contamination.

Environmental Sustainability

ADVANTAGE	DESCRIPTION
Reduced consumption of water	A CubicFarm System is a closed environment, enabling it to capture water from plant transpiration. As a result, the system is able to grow two heads of lettuce for every litre of water consumed, on average. Growing two heads of lettuce using conventional methods requires 24 litres of water, according to the Water Education Foundation.[1]
Reduced land use	CubicFarm Systems provide a high yield per square foot compared to conventional farms due to the vertical stacking of trays, spacing and customized control of temperature, CO_2, humidity, temperature and lighting. Depending on the location, a CubicFarm System can replace one to four acres of conventional farmland.

Yield Comparison

CubicFarms expects to realize yields per square foot comparable to the most efficient facilities in the vertical farming industry. When compared to similar technology, vertical farming in containers, CubicFarms expects to achieve at least double the yield per square foot.

Economics

ADVANTAGE	DESCRIPTION
Year-round growth and consistent output	As an indoor farm, a CubicFarm System's productivity is not dependent on outdoor weather conditions or the arability of land. With conditions such as temperature and lighting closely moderated within each individual growing container, each CubicFarm System ensures a consistent, year-round output.
Consistent product quality and growth	The CubicFarm System generates consistent crop quality, colouring, texture and sizing of its grown produce. This consistency is ideally suited for wholesale customers of leafy green products that resell the produce to either retail consumers or establishments such as hotels and restaurants where both consistency and quality is a desire attribute.
Improved productivity from resources	In addition to water and labour efficiencies, the CubicFarm System requires considerably less light than traditional warehouse farming. Each system uses one row of light fixtures per 7.5 growing trays, while traditional methods use one row of light fixtures per growing tray. With lighting amongst the largest expense items for indoor farms, the system's conveyor optimizes the use of light to minimize expense.

[1] https://www.watereducation.org/post/food-facts-how-much-water-does-it-take-produce.

ADVANTAGE	DESCRIPTION
Less product wastage due to proximity to customers	For crops with a high rate of perishability, such as lettuce or microgreens, CubicFarm Systems located near customers reduce the rate of spoilage. The ability to harvest live produce also reduces waste.
Reduced cost of transportation	CubicFarm Systems located at customer sites enable them to supply their local markets instead of importing produce. Reduced transportation needs result in reduced carbon emissions associated with growing fresh produce using CubicFarms technology.
Reduced labour requirements	When harvesting and planting, a CubicFarm System brings the plants to the workers, eliminating time spent walking around the growing area. Traditional methods require strenuous lifting with heavy trays. The CubicFarm System has a seamless one-touch handling process from machine to packaging. As a result, farmers significantly reduce labour costs, compared to conventional or other indoor or static growing systems.

HydroGreen Automated Vertical Pastures™

The HydroGreen Automated Vertical Pastures™ are patent pending and consists of two sizes. The DGS66 system is a 10-feet by 8-feet rack with 8-feet by 6-feet growing surfaces stacked 6 layers high to a total height of 10 feet. This is the smallest, one-section system available for sale—two-section up to six-section systems that are 50 feet long, 8 feet wide and 10 feet high are available.

A second larger HydroGreen Automated Vertical Pasture™ consists of a 67.25 ft. by 8.5 ft. rack on a 61.5 ft. by 6.0 ft. growing surfaces stacked 8 layers high to a total height of 16.9 ft. There is approximately 3,000 sq. ft. of growing surface for live green fodder production on all 8 levels of the larger HydroGreen Automated Vertical Pasture™. This HydroGreen is otherwise known as GLS808 and is being used in the Burnett beta project announced on April 6, 2021. See "*General Development of the Business—Three Year History*."

The modular design of both HydroGreen Automated Vertical Pastures™ allows farmers to combine multiple systems to feed hundreds or thousands of livestock.

The HydroGreen Automated Vertical Pastures™ growing system for animal feed.

HYDROGREEN VERTICAL PASTURES™

Seeding one growing surface each day with 1.8 bushels of seed can produce 487 pounds of animal feed every six days. A one-section DGS66 HydroGreen machine could produce enough feed for a 20 to 25-cattle farm, while a three-section system could provide feed for a herd of 100 cattle.

The larger GLS808 HydroGreen machine, which are sold in six or eight sections, can produce 80% more livestock feed than the DGS66 system on a per section basis. A six-section GLS808 system is capable of producing 36,000 lbs. of feed per day. When sold in quantities of six units, the GLS808 HydroGreen System can provide enough feed for a herd of 1,000 or more animals.

The HydroGreen machine's automated seeder spreads half an inch of small grain seed on the growing surface. A fine mist of water is sprayed from above to initiate growth, followed by a gentle-rain automated irrigation system to feed the plants as they sprout. After six days, fresh green feed on the growing surface is rolled off and harvested at the push of a button on the touchscreen control panel.

As the feed layer is rolled off the surface, the DGS66 system slices it into pieces with a water jet, ready to be blended with a feed ration or fed directly to livestock. Once the harvest cycle is complete, the surface is automatedly cleaned and reseeded with a new seed bed, ready to be irrigated—setting in motion another grow cycle.

While the DGS66 machine uses a water jet to slice feed, the GLS808 has a "mechanical sizer" which grinds up feed into smaller and more bite sized pieces. This has recently been invented by the CubicFarms Research and Development team in Pitt Meadows, British Columbia and tested at the HydroGreen Innovation Center in Sioux Falls, South Dakota. It will be the preferred sizing option going forward and will lead to lower water consumption. The mechanical sizer is being deployed commercially at the Burnett beta project.

HydroGreen Automated Vertical Pastures™ take seed to feed in six days.

HydroGreen Intellectual Property

HydroGreen has filed: (i) ***a PCT International Patent Application entitled: "Hydroponic Grower"***; and (ii) ***a PCT International Patent Application entitled: "Controller for a Hydroponic Grower"***. Both of

these applications relate to inventions that were acquired as part of the HydroGreen Acquisition and remain currently pending in the national phase of the PCT application procedure before the Patent Offices in Australia, Brazil, Canada, China, Europe, Hong Kong, India, Japan, Mexico, Oman, Saudi Arabia, United Arab Emirates and United States.

In the last twelve months HydroGreen has also filed the following ***PCT International Patent Applications*** entitled:

(i) *"Processes and Compositions for Increasing Nutrient Digestibility of Materials with Endogenous Enzymes of Hydroponically Germinated Seeds"*;
(ii) *"Processes and Compositions for Increasing Enzyme Concentrations and Dry Matter Using Reactive Oxygen Species in Hydroponically Grown Cellulosic Materials"*;
(iii) *"Processes and Systems for Increasing Dry Matter in Hydroponically Grown Cellulosic Materials"*;
(iv) *"Processes and compositions for ensiling hydroponically grown cellulosic materials"*; and
(v) *"Methods and Systems for Hydroponically Sprouted Cereal Grains as a Mechanism for Lowering Enteric Methane Emission and Improving Ruminant Feed Efficiency and Performance"*.

All 5 applications are currently pending.

TRADEMARK	LOCATIONS	STATUS
HYDROGREEN *(word mark)*	United States and Algeria, Australia, Brazil, Canada, China, European Union, India, Indonesia, Japan, Kazakhstan, Mexico, Morocco, New Zealand, Russia, and the United Kingdom (collectively, "**Madrid Countries**")	Pending
HYDROGREEN NUTRITION TECHNOLOGY *(word mark)*	United States, Madrid Countries	Pending
H *(design mark)*	United States, Madrid Countries	Pending
HYDROGREEN NUTRITION TECHNOLOGY & H *(design mark)*	United States, Madrid Countries	Pending
LIVE GREEN FEED *(word mark)*	United States	Registered
AUTOMATED VERTICAL PASTURES *(word mark)*	United States, Madrid Countries	Pending

Advantages of the HydroGreen Automated Vertical Pastures™

Economic, Environmental and Nutritional Benefits of Hydroponic Animal Feed

Consistent Feed Quality and Production

The HydroGreen Automated Vertical Pastures™ technology provides local, on-demand availability of fresh green feed 365 days a year, unaffected by drought, snow, or rain. Hydroponic feed that is fed directly to livestock results in significant reduction of feed waste since the entire root mass is consumed with the grass.

Reduced Labour and Water Usage

In addition to savings from reduced labour and water, HydroGreen Automated Vertical Pastures™ have vertically stacked surfaces allow for high yields in a very small area, increasing farmers' independence by growing food for their livestock without the need for cultivated land.

Increased Ability for Cattle to Digest Overall Feed Resulting in Healthier Cattle, Better Production Outcomes and Lower Nutrient Dense Manure

When wheatgrass and barley are sprouted, they release many vitamins and minerals as well as convert hard-to-digest starches into easily digestible proteins. Sprouting results in increased enzyme levels in the ration, which aids digestion and absorption of nutrients; increased levels of vitamins; increased mineral bioavailability and increased fatty acids (quality energy) and amino acids (quality protein). These nutrients are critical to animal health, growth, milk production and reproduction. HydroGreen technology means there is no need for harsh chemicals, fertilizers, pesticides or herbicides.

Reduced Land Area required for the Cattle Farm

The HydroGreen technology allows both dairy and beef cattle farmers to house more cattle on smaller parcels of land, largely due to the efficiency of feeding cattle using the hydroponic feeding system instead of pasture grazing. In addition, management believes that the reduction in nutrient dense manure produced will allow farmers to meet local regulatory and environmental guidelines that limit the number of cattle on a section of land due to the effects of nutrient dense manure on water contamination due to run-off.

Reduction in Greenhouse Gases Produced

Recent third-party scientific research conducted by a consortium of investigators and the University of Fraser Valley (Canada) has concluded that the HydroGreen hydroponic system has a net measurable benefit in terms of greenhouse gas reductions when deployed at a commercial dairy and beef cattle farm.[2]

A recent Company case study has shown that dairy cattle fed with sprouted grains from HydroGreen Automated Vertical Pastures™ significantly reduce methane emissions.

Mold Mitigation

While growing feed hydroponically is not a new concept, traditional rack-and-stack systems are labour intensive and are sensitive to mold. Mold tends to grow on seeds in warm, damp or humid conditions. Traditional hydroponic systems rely on human labour to manually clean the growing pans and soak, spread and water the seed, resulting in significant potential for human error and potential for mold to develop. HydroGreen technology alleviates both problems as it requires only one second of labour per tonne of feed produced—to push a button on the touchscreen control panel. Through automated processes, HydroGreen machines apply a sequence of eleven procedures dedicated to controlling mold, stretching from seed selection to harvest, reducing the potential for human error and for mold to develop.

Relationships and Partnerships

CubicFarms has established relationships that it expects to support the growth and adoption of its technology:

[2] *Hydroponic fodder and greenhouse gas emissions: a potential avenue for climate mitigation strategy and policy development*, published by Canadian Science Publishing in *FACETS*, the official journal of the Royal Society of Canada's Academy of Science, March 11, 2021.

1. Relationship with Ospraie. CubicFarms completed a key strategic investment with Ospraie.

   Ospraie is an established and highly respected investment firm that supports productivity-enhancing companies in the agriculture technology space with a focus on sustainable solutions that improve the quality of life for farmers and society.

   CubicFarms believes that Ospraie has brought value to CubicFarms for three specific reasons:

   i. Access to Capital. The financing provided CubicFarms with the capital required to: (i) continue to invest in joint ventures; (ii) proceed with the optimization and automation of the CubicFarm System and HydroGreen System; and (iii) have available working capital to be deployed for other opportunities that may be accretive to the business.

   ii. Strategic Value. Given Ospraie reach globally, CubicFarms believes that this relationship provides CubicFarms with better access to global markets.

   iii. Access to People. Ospraie has introduced several important manufacturing, supply chain and sales leads to the Company. Furthermore, Ospraie has provided insights on collaborative companies and technologies, as well as access to both advisors and directors to the Company.

2. Reseller Agreement with HGG. On July 20, 2020, the Company entered into a Reseller Agreement with HGG. HGG has been engaged to help drive the promotion, marketing and sales of HydroGreen machines. HGG is licensed to use the "HydroGreen" name and trademark in its authorized reseller activities to maintain brand consistency in the marketplace. HGG will develop a global dealer network to increase customer uptake worldwide, by leveraging its access to an industry dealer network in over 40 countries. HGG will also manage customer experience and all aspects of the sales cycle by providing purchasers of the systems with installation, training and troubleshooting services, and managing warranty claims. HGG is entitled to purchase HydroGreen machines, parts and consumables at wholesale costs, for resale. HGG will be responsible for the payment of dealer sales commissions. John De Jonge, a former director of the Company, has a non-controlling indirect ownership interest in HGG though his investment in Total Dairy Solutions US, LLC (“TDS”), the 100% shareholder of HGG. TDS is a diversified multinational company that provides products and services to the international dairy industry and is managed by Kevin Fiske as CEO. TDS’ many existing international contacts and business relationships will enable HGG to quickly develop an international HydroGreen dealer network in several key geographic markets and provide the necessary infrastructure to successful install the Company’s HydroGreen machine sales on a global basis.

3. Burnett Vertical Pastures Beta Project. On April 6, 2021, the Company entered into an agreement with Burnett for 12 HydroGreen GLS808 beta machines and daily feed production supply. This beta project, called HydroGreen Automated Vertical Pastures™, will include the first installation of the commercial scale HydroGreen GLS808 machines on a large-scale farm. Burnett is a strategic investor to CubicFarms interested in further advancing the HydroGreen technology and is a large US-based beef cattle rancher and dairy farmer with over 17,000 cattle located on 35,000 acres. See “*General Development of the Business – Three Year History*.”

Other Revenue Opportunities

In addition to the CubicFarm System and the HydroGreen System, CubicFarms will provide a number of other services to customers in order to develop complementary revenue streams, such us consumables and logistics support.

Monthly Recurring Revenues

1. Support Subscription. CubicFarms offers a monthly support subscription that provides its customers with software updates, new crop technology, optimization data, training and grower support.

2. Customer Consumables Purchases. CubicFarms customers also have the option to purchase seeds, nutrients, and substrates, and packaging required to produce crops for sale.

CubicFarms Garden

In June 2020, the Company created a farm and market consulting services division called CubicFarms Garden to help facilitate pre-sales of CubicFarms equipment internationally and provide additional produce sales / brokerage services to our North American-based clients post-sale. This division currently has a focus on sales within the market for growing vegetables, leafy greens and herbs.

CubicFarms Garden is comprised of 2.5 full-time-equivalent staff with a combined 30+ years of experience in brokering produce sales to retailers within North America. Fee-based consulting services provided by CubicFarms Garden includes the development of detailed financial plans, market assessments, business plans and investor presentations / pitch deck.

Produce Sales and Brokerage services include commission-based sales of customer grown produce to local, regional and national retailers. The customer can determine how much of their production volume is to be committed to this sales channel on a monthly basis.

Management believes that offering CubicFarms Gardens consulting and brokerage services to both existing and potential customers of CubicFarms, will lead to additional sales of CubicFarms equipment and deliver important recurring revenues for the Company.

Milestones and Successes

CubicFarm System Sales

In the last twelve months, CubicFarms has successfully sold several CubicFarm Systems in Canada, the United States and Australia. During this time, CubicFarms has continued to complete research and development, and sell produce, from the CubicFarm Systems it owns and operates in Pitt Meadows, British Columbia and Busby, Alberta.

The Company has entered into sales discussions with a number of companies in Canada and internationally and has developed significant sales leads for the purchase of additional machines. The Company's Sales Pipeline currently includes individuals and companies in Canada, Ireland, the United States, Australia, Sweden, Italy, the Middle East and China. There can be no assurances that any of these pipeline opportunities will lead to sales of CubicFarm Systems or identification of Farmer Partners.

In addition, the Company received a $1,200,000 refundable deposit from a private investor group to deliver 96 CubicFarm System modules in an innovative two-level cost-effective building design and controlled environment called a FreshHub, to be installed in the Lower Mainland area of Vancouver, British Columbia.

The Company anticipates that the installation of this first FreshHub project will commence in the second quarter of the 2022 calendar year and be substantially completed by the end of the 2022 / beginning of the 2023 calendar year.

In the short to mid-term period, the Company expects to close additional CubicFarm Systems sales in Canada, that will establish the Company from coast to coast and additional system sales in the United States, adding to the current CubicFarm System in operation in the country.

There can be no assurances that any of these pipeline opportunities will lead to sales of CubicFarm Systems. The Company currently has a backlog of approximately USD$27 million consisting of 203 machines under contract and deposit.

Revenue from CubicFarm System sales is dependent on the transfer of legal title upon the completion of the sales and delivery process—consisting of signing the purchase agreement, customer deposit, manufacture of machines, customer's site preparation, shipping and installation of the CubicFarm System. Unforeseen delays attributable to the COVID-19 pandemic and the global recovery efforts employed by both individual companies and countries may delay the Company's completion of the machine sales and delivery process.

HydroGreen Automated Vertical Pastures™ Sales

During the twelve months ended December 31, 2021, the Company announced that wholesale distributor Grohs International, LLC has agreed to purchase 12 HydroGreen Automated Vertical Pastures™ for its beef cattle customers who require on-farm fresh livestock feed for their herds. The sale of 12 HydroGreen machines will represent equipment sales of approximately $2,000,000 by the Company. On January 20, 2022, the Company announced the sale of 9 HydroGreen machines in North Dakota and South Dakota to Grohs International LLC that took place at the end of the fourth calendar quarter of 2021. Grohs International LLC has placed orders for 9 of the 12 and signed the contract to purchase the machines from CubicFarms, which represents equipment sales valued at approximately $1,260,000.

The Company has noticed a "halo effect" involving heightened interest from neighbouring farms of recent completed HydroGreen Automated Vertical Pasture™ installations. The effect of this positive nearby reference appears to accelerate the HydroGreen business development cycle in the immediate area of the Company's current HydroGreen customers. In the period ending December 31, 2021, the Company announced the HydroGreen Certified Dealer Network and the addition of 6 dealers to the network. Each dealer signed a non-binding letter of intent and initial sales commitments include over 80 HydroGreen Automated Vertical Pastures™ in 2022, valued at $17,500,000. CubicFarms has permitted the expiry of the non-binding letters of intent with the HydroGreen Certified Dealers in order to move forward with the signing of definitive Certified Dealer Agreements with binding sales commitments. In the first quarter of 2022, representatives of each dealer attended sales and product training at the HydroGreen Innovation Centre to support third party sales efforts. HydroGreen Certified Dealers will support local sales, installations, and customer experience.

HydroGreen Automated Vertical Pastures™ Developments and Recognitions

On March 19, 2021, FACETS, the official journal of the Royal Society of Canada's Academy of Science, published a case study involving HydroGreen, that found the technology has great potential for reducing greenhouse gas emissions in the animal agriculture industry. The journal article explores the potential for hydroponic fodder production for contributing to climate mitigation in fodder agriculture. Results of the case

study indicate that incorporating hydroponic systems into barley production has the potential to reduce greenhouse gas emissions.[3]

On April 20, 2021, the Company was awarded a Nexus Innovation Award for HydroGreen's Vertical Pastures Grow System, an automated, on farm fresh livestock feed technology. HydroGreen's unique automated technology for growing on farm fresh livestock feed was selected by dairy farmers because with this technology, dairies can gain more control over feed production and conserve water and land without the need for chemicals or fertilizers.

On September 7, 2021, the HydroGreen System won "Sustainability Product of the Year" in the 2021 Sustainability Awards. The Sustainability Awards honour those people, teams and organizations who have made sustainability an integral part of their business practice or overall mission.

Fresh Division Research and Development at the Pitt Meadows Innovation Centre and Alberta Grow Centre Facilities

Within the last twelve months, the Fresh Division research and development team has developed:

- Improved method of germination and propagation by introducing technology that allows users to identify trays and treat them specific to the plants needs.
- Re-designed hardware devices to increase crop yield and quality in growing module.
- Improved substrates to allow for automated seeding and more efficient process flow on production floor.
- Custom nutrient blends that provide crops the desired nutrient regimes during their grow cycles.
- Improved controls allowing users to interact more closely with the crop and address their needs during grow cycles.
- Expanded product offerings to meet the needs of retail, wholesale and food service industries.

Data-Driven Software Platform

Within the last twelve months the Company has built a software development team consisting of software engineers, user experience developers and data scientists recruited from world class companies including Microsoft, Electronic Arts, Samsung, and Amazon. With this strategy, the Company is moving toward a Controlled Environment Agriculture (CEA) full stack solution encompassing both hardware and software.

The new software platform is based on an enterprise cloud architecture offering the highest standard of protection and security for customers. This will allow for integrations with third party custom apps and extend into business systems such as ERP or CRM. The fundamental architecture of the platform is based on digital twinning and internet of things (IoT) allowing for 1:1 representation of physical machines enabling simulations reducing testing times and enabling complex scenario planning. This coupled with a full data warehouse ensures data integrity by collecting and processing data, enabling robust ML (machine learning) and AI (artificial intelligence) models for production. As more data accumulates, the more intelligent the system will become. This will be a SaaS application that runs both CubicFarm and HydroGreen Systems.

[3] *Hydroponic fodder and greenhouse gas emissions: a potential avenue for climate mitigation strategy and policy development*, published by Canadian Science Publishing in *FACETS*, the official journal of the Royal Society of Canada's Academy of Science, March 11, 2021.

The Company has also partnered with Microsoft using cloud services such as Azure IoT Hub.

Environmental, Social and Governance (ESG)

The Company is committed to contributing to the Sustainable Development Goals outlined by the United Nations and will expand its reporting in future quarters to include ESG.

Beyond selling products that directly and positively impact climate change and improving the use of land and water resources, by localizing food and livestock feed production, the Company and its products promote food security and food equality globally.

More specifically, the use of CubicFarms technology developed within the Fresh Division contributes to the United Nations' Sustainable Development Goals through the following:

- 95% less fresh water than traditional farming
- Crop Motion Technology™ innovation using single row of light to reduce energy and heat consumption
- Shortened supply chain needs by growing local, resulting in 80% less waste
- Zero pesticides or herbicides used
- Significantly less land required to grow the same amount of food
- 45% more nutrients found within produce grown locally compared to produce transported via long supply chains

Similarly, the use of the HydroGreen technology within the Feed Division contributes to the United Nations' Sustainable Development Goals through the following:

- 95% less fresh water than traditional farming
- Seed to feed in 6 days, grown onsite, reducing long supply chains and feed transport
- Feed is highly nutritional, full of vitamins, antioxidants and digestive enzymes
- Zero pesticides or fertilizer used
- Significantly less land required to grow the same amount of animal feed
- 7.4% fewer greenhouse gas emissions using hydroponic technology

CubicFarms ESG Disclosure

CubicFarms' business is intertwined with environment, social and governance matters. The Company is making an active effort to deliver sustainable benefits to society needed for the long term. The Company is combining cost benefits with a positive effect on the environment to create shareholder value and attempt to make the world a better place.

The Company technologies help significantly reduce the amount of fresh water, land and energy used by farmers. It's not just using fewer natural resources, it's also eliminating the need for pesticides, herbicides, or fertilizer. With every installation and expansion of the company indoor growing systems, farmers are using innovative technologies.

Environmental Commitments

Sustainability

CubicFarms and HydroGreen have endorsed the "Decade of Ag" movement, the first-ever sector-specific vision for the sustainable food systems of the future. The Company's endorsement is a pledge to work with leaders and organizations and work toward a resilient, restorative, economically viable, and climate-smart agricultural system that produces abundant nutritious food and livestock feed.

On September 7, 2021, the Company announced that the Business Intelligence Group named HydroGreen'sas Automated Vertical Pastures™ "Sustainability Product of the Year" in the 2021 Sustainability Awards program. The Sustainability Awards honour people, teams and organizations who have made sustainability an integral part of their business practice or overall mission.

Climate Change

Warnings of the imminent pressures on the global food systems through demand for consumption of animal products, which are becoming more apparent as the world's population increases, include estimates suggesting a global population of almost 10 billion by 2050.

CubicFarms and the Company's Scientific Advisory Board (SAB) are contributing to scientific research developed through a collaboration of academic researchers and industry experts.

On March 19, 2021, the Company announced that Facets scientific journal, the official journal of the Royal Society of Canada's Academy of Science, published a case study involving HydroGreen Inc. technology determining that it has great potential for reducing greenhouse gas (GHG) emissions in the animal agriculture industry (*Hydroponic fodder and greenhouse gas emissions: a potential avenue for climate mitigation strategy and policy development*). The study's principal author, Dr. Lenore Newman, warns of the imminent pressures on our food systems through demand for consumption of animal products, which are becoming more apparent as our global population increases, with estimates suggesting a global population of almost 10 billion by 2050.

The journal article explores the potential for hydroponic fodder production for contributing to climate mitigation in fodder agriculture. Case studies compare GHG emissions and the carbon sequestration potential of hydroponically grown sprouted barley fodder to conventional barley grain fodder. The case study analyzed fresh livestock feed grown in the controlled environment using a HydroGreen Automated Vertical Pasture™ when compared to traditional farming methods. Results of this published case study

indicate that incorporating hydroponic systems into barley production has the potential to reduce GHG emissions. Results also show that hydroponic farming can provide greater carbon sequestration opportunities than simply shifting to no-tillage farming.

Dr. Lenore Newman, Director and Canada Research Chair in Food Security, member of the CubicFarms SAB, and co-author of this research commented, “With approximately 70% of all agricultural land being used for some aspect of livestock production, beef and dairy farming currently represents approximately 14.5% of all human-induced GHG emissions. Feed production and animal waste represents the two largest sources of these GHG emissions, representing 45% and 39% respectively. This latest research estimated that the HydroGreen demonstration farm produced 7.4% fewer GHG emissions (per nutrient mass) than were found with conventional barley grain fodder farming, and greater reductions can be achieved with improved seed-to-fodder output, indicating that transitioning to such systems can result in GHG reductions and (ultimately) climate mitigation benefits. These are exciting findings and a bright light in the otherwise gloomy world of climate change.”

Social Commitments

The Company is committed to the health and safety of its employees, customers, vendors and community. The Company is attracting and retaining world-class talent and passionate individuals who believe in the Company mission and thrive in the workplace, in the office or on the farm.

CubicFarms team members feel a sense of responsibility to care for the planet and the people who live in communities all over the world.

The Company “Community Giving Program” organizes priority giving initiatives specifically chosen to align with the company ESG priorities, like adding food insecurity by dedicated fundraising programs for social food banks and participating as a team for the World Vision “Global 6K for Water” challenge.

Local communities using CubicFarms technologies for indoor automated growing are experiencing more sustainable access to fresh food and livestock and are using natural resources more sustainably.

Local Labour

Local food grown by local people, anywhere in the world. By localizing food and livestock feed grown indoors using the Company’s technologies, CubicFarms is enabling more food independence for communities that need it, especially with increasing global population.

The Company builds strong relationships with an ecosystem of farmers, food service distributors, and more. Instead of concentrating the areas where produce is grown, CubicFarms technologies allow for more local growing distributed all over the world and in nearby communities. This allows farmers to grow with less physical labour than before, promoting greater inclusivity. The Company is advocating for government support for indoor growing and additional financing opportunities for farmers, empowering farmers to localize food production and operations so local jobs can be provided for more vibrant, thriving communities.

The Company’s government lobbying efforts have resulted in positive changes to the way agricultural lands are administered in British Columbia, allowing for the use of both agri-tech and controlled environment agriculture to become a permitted use on agricultural lands designated under the Agricultural Land Reserve. This change was announced by the Province of British Columbia and the BC Ministry of Agriculture on February 19, 2022.

Diversity

CubicFarms embraces different perspectives and values the contributions of Company team members. One of the Company's core values is respect, and CubicFarms takes that a step further by creating a culture celebrating diversity and allowing individuals to do their best work and thrive. The Company goal is to foster an inclusive workplace where people feel they belong, that their unique talents matter and that their needs are cared for by the company's leaders and team members. CubicFarms is a growing company with talented people working toward a common goal. The Company is actively engaging with local communities by giving back and getting involved. CubicFarms has an engaged workforce with a mission to transform agriculture, using curiosity and resourcefulness with the company's teams.

As of the date of this report, the Company has created a Diversity and Inclusion Committee made up of several Company employees across all job functions and levels. This Committee meets regularly to discuss new ways to increase and support employee diversity and inclusion at the Company and to ensure a positive and inclusive work environment.

Animal Welfare

At CubicFarms, the Company is concerned about animal welfare and uses both animal and plant science knowledge to create technologies that support animal health and well-being. The Company R&D team is conducting research and data collection on dairy cattle consuming HydroGreen fresh forage as part of the herd's ration. Preliminary results on a sample of dairy cattle are showing impressive health improvements for close-up cows and calves, that showed much better health during weaning and through the entire feeding period, compared to a sample of non-HydroGreen calves. The nutritious fresh livestock feed grown in a HydroGreen Automated Vertical Pasture™ contains high quality protein in the form of amino acids and simple peptides. This results in high quality energy in the form of simple sugars and starches within the feed ration, with readily available nutrients that appear critical for health, growth, production and reproduction. The feed palatability, as well as the higher moisture of the HydroGreen fresh forage, improves ration conditioning with less sorting of ingredients by the animals, resulting in a lower incidence of upper respiratory issues due to dust inhalation. Fresh livestock feed is both nutritious and devoid of anti-nutritional factors including haemagglutinins, trypsin inhibitors, tannins and pentosans and phytic acid.

Governance Commitments

The Company is committed to open and transparent communications with all stakeholders. CubicFarms team strives for clarity without unnecessary complexity in the Company's news and financial statements, avoiding unnecessary jargon for maximum understanding of the Company's messages.

CubicFarms is committed to disseminating all material information that would reasonably be required to make an informed decision about investment in or trading securities of the company (TSX: CUB) in a fair, timely and cost-efficient manner. Material information is available on the company's website Investors page with a link to all associated documents listed on the CubicFarm Systems Corp.

The Company is advised with governance and oversight by the Corporate Governance Committee on the CubicFarms Board of Directors which is composed solely of experienced and independent member Directors. In addition, the Company benefits from the HydroGreen Advisory Board and the CubicFarms' Scientific Advisory Board (SAB). The SAB is comprised of top experts in the fields of agriculture and technology and are primarily responsible for making recommendations to the Company's senior leadership team regarding research and development priorities to advance food production technology.

Furthermore, the Corporate Governance Committee has a general mandate to assess all issues that may affect the Company in the areas of corporate governance and to recommend appropriate governance policies to the Board. In addition, the Company benefits from the HydroGreen Advisory Board and the CubicFarms' Scientific Advisory Board. The boards are comprised of top experts in the fields of agriculture and technology and are primarily responsible for making recommendations to the Company's senior leadership team regarding research and development priorities to advance food production technology.

Among other advantages, the Company's focus on ESG provides CubicFarms with opportunities to tap into new markets and expand into existing ones while attracting top talent to our goal of transforming agriculture globally.

Industry Analysis

Traditional Farming Challenges

The global population is predicted to reach 9.7 billion by 2050,[4] and to feed everyone, it is estimated that global food production will need to increase by up to 70% in the next 30 years.[5]

There are many challenges to overcome before fears of a worldwide food shortage can be allayed, including rising temperatures and more frequent droughts caused by global warming. These obstacles are making traditional farming methods increasingly inefficient and unpredictable.

Traditional farming has also been hit hard by the COVID-19 pandemic. According to the Food and Agriculture Association of the United Nations ("FAO"), border closures, quarantines and disruptions to supply chains are limiting some people's access to food, especially in countries hit hard by the virus or already affected by high levels of food insecurity.[6]

FAO also reports that one third of the planet's land is currently used for livestock feed production;[7] and as the world's population grows, so does the demand for animal protein.[8] Meanwhile, studies have shown that 5 million hectares of forested land globally are being converted into space for agriculture each year.[9]

Furthermore, geopolitical tensions are driving the price increases for oil, natural gas, wheat, fertilizers and other commodities. The effects of rising input costs are likely to compound already substantial inflation for food due to COVID-19. In January 2022, US grocery prices rose by 7.4% compared to the prior year, according to the US Bureau of Labor Statistics. The FAO estimates that global food prices recorded an increase of 28% in 2021 and expects the trend to continue amid persistent supply chain disruptions.[10]

Weather and climate disasters in 2021, including drought, flooding and wildfires, also negatively impacted traditional farms and ranches across the United States, with over USD$12.5 billion in crop and rangeland losses. The full extent of damages across the sector is likely far higher when livestock, infrastructure, timber and other ag-related factors are considered. Already in 2022, farmers and ranchers are experiencing severe

[4] www.un.org/development/desa/en/news/population/world-population-prospects-2019.html
[5] www.fao.org/fileadmin/templates/wsfs/docs/expert_paper/How_to_Feed_the_World_in_2050.pdf
[6] www.fao.org/2019-ncov/q-and-a/impact-on-food-and-agriculture/en/
[7] www.fao.org/3/ar591e/ar591e.pdf
[8] https://ourworldindata.org/meat-production
[9] https://science.sciencemag.org/content/361/6407/1108
[10] Canaccord Genuity Group Inc. - US Equity Research – March 4, 2022

drought. The stability of US farms and ranches relies on their ability to be resilient under an array of climate and weather conditions.[11]

Vertical Farming

The global vertical farming market size stood at USD$4.34 billion in 2021 and is projected to reach USD$24.11 billion by 2030, exhibiting a CAGR of 22.9% during the forecast period. Rising interest in organic food among consumers interested in healthy living is expected to elevate the global vertical farming market. Increasing demand for high quality food, technological advancements in agriculture techniques, and growing urbanization are some of the significant factors impacting global vertical farming industry growth. With the unprecedented growth of world population, the demand for urban agriculture is increasing, shifting the focus to vertical farming.[12]

As the value proposition for vertical farming grows stronger, the industry's high growth has attracted a variety of players seeking to capitalize on the market opportunity. The key players operating in the global vertical farming crops market include AeroFarms, PlantLab, Spread Co., Bowery Farming, InFarm, Plenty, Gotham Greens, AgriCool, CropOne and Green Spirits Farm. As of December 2021, Plenty has raised more than USD$941 million from investors including Bezos Expeditions, SoftBank Vision Fund, Walmart Innovation Endeavors and DCM Ventures[13], while AeroFarms received grants from the Foundation for Food and Agriculture Research, Abu Dhabi Investment Office, Meraas and Newark Venture Partners.[14]

The broader indoor farming industry can be segmented based on two criteria: the growing system and type of facility. The growing system is segmented based on the medium in which plants are grown; segments currently consist of hydroponics, aeroponics, aquaponics, and conventional soil. Growing techniques affect factors such as growth time, resource consumption, and yield. Facility type is segmented into three categories: greenhouse, indoor vertical farm, and shipping container. The facility type affects the growing method (i.e., vertical farming versus traditional farming), resource consumption, crop type, and the mobility of operations.

Growing System

Hydroponics

Hydroponics is the technique of growing plants in a nutrient-rich basin of water rather than using soil. The main benefits of hydroponics include the ability to grow year-round (both indoor and outdoor), water efficiency, space efficiency, growth cycle time, yield, and elimination of the need for pesticides and weeding. These factors contribute to the favorable economics of hydroponic growing, which has been the key driver for growth within the vertical farming category. Despite these advantages, many hydroponic farms suffered from weak profitability due to the high upfront capital costs and high labour costs associated with operating hydroponic grow systems. While aeroponic and aquaponic technologies are growing in popularity, hydroponics is the most widely adopted growing system by a considerable margin, holding more than a 50% share of the market in 2021 in is expected to remain dominant between 2022 and 2030[15].

[11] American Farm Bureau Foundation – 2021 Disaster Estimations Reveal at Least $12.5 Billion in Crop and Forage Losses (https://www.fb.org/market-intel/2021-disaster-estimations-reveal-at-least-12.5-billion-in-crop-and-forage-l)
[12] Allied Market Research – Vertical Farming Market by Structure (Building-based Structure and Container-based Structure), Growth Mechanism (Hydroponics, Aeroponics and Aquaponics), and Component (Irrigation Component, Lighting, Sensor, Climate Control, Building Material, and Others): Global Opportunity Analysis and Industry Forecast, 2021 – 2030 – September 2021
[13] Crunchbase Inc. (https://www.crunchbase.com/organization/plenty), February 28, 2022
[14] Crunchbase Inc. (https://www.crunchbase.com/organization/aerofarms), February 28, 2022
[15] Grand View Research - Vertical Farming Market Size (2022 – 2030) https://www.grandviewresearch.com/industry-analysis/vertical-farming-market

Aeroponics

Aeroponics is the technique of misting plants with a nutrient solution while they are suspended mid-air. The benefits of aeroponics are similar to hydroponics, but with greater water efficiency and higher nutrient absorption. While aeroponics results in greater resource efficiency, only a small segment of aeroponic operations have sustained profitability in recent years. This is due to the need for constant monitoring of pH and nutrient density ratios by skilled workers, which drives up labour costs.[16] Due to the high level of expertise required to operate an aeroponic growing system, aeroponics is used only by about 6% of indoor farms. That said, the aeroponics segment is expected to grow at a CAGR of 25.60% from 2019 to 2026[17].

Aquaponics

Aquaponics is a method where plants are grown in water previously used to cultivate fish and seafood. As plants are grown in water, aquaponics presents very similar pros and cons to hydroponics, with a few exceptions. Aquaponics benefits from less waste water and has a lower chance of water-borne disease than hydroponics. Aquaponics is expected to consume more energy and require more labour than hydroponics. Currently, aquaponics is a more popular growing method than aeroponics but aquaponics is still far less popular than hydroponics.[18]

Facility Type

Indoor Vertical Farming

Indoor vertical farming systems grow crops, typically through hydroponics, in vertically stacked layers. Indoor growth permits year-round cultivation while stacking layers reduces the consumption of resources such as water and electricity. Another benefit of indoor vertical farming over conventional farming is that it reduces spoilage because crops are not subject to adverse weather conditions. Compared to greenhouses, indoor vertical farms use space more efficiently, making it possible to locate farming systems in urban areas closer to consumers. But indoor vertical farms incur high electricity costs due to the need for artificial lighting. While vertical farms stack crops efficiently under LED lighting, reports have shown that it can still take up to 1,200 kilowatt hours of electricity to produce 2.25 pounds of food.[19]

Container Farms

Container farms are similar to indoor vertical farms, except they are enclosed within modular shipping containers. Shipping containers are beneficial because they are mobile and scalable. Furthermore, growing conditions such as lighting, humidity, and temperature, can be moderated separately based on crop type. This means farms can run multi-crop operations without a loss in efficiency. Container farms dominated the vertical farming industry in terms of revenue with a market share of 44.2% in 2020 and is expected to remain dominant between 2021 and 2028. This growth is attributed to the ability of the structure to help grow crops irrespective of the geographic location. One of the primary benefits of container-based farming is that container farms are easy to transport, and one doesn't require a large piece of land or a dedicated building to start cultivating. Moreover, the price of shipping containers decreases with increased competition because the cost of acquiring used containers is relatively less, which allows other companies to enter the market space. However, low comparative output and antagonism between light, heat, and layout are some of the drawbacks of such kind of agriculture. Shipping container-based farming uses 95% less water than the traditional cultivation with drip irrigation. Shipping containers are easy to modify, stackable, durable,

[16] https://www.doityourself.com/stry/aeroponics-vs-hydroponics.
[17] Allied Market Research – Aeroponics Market by Application: Global Opportunity and Industry Forecast, 2019 - 2026. https://www.alliedmarketresearch.com/aeroponics-market
[18] Allied Market Research - Vertical Farming Market Size, Share & Trends Analysis Repot By Structure, By Offering (Lighting, Climate Control), By Growing Mechanism (Hydroponics, Aquaponics), By Fruits, Vegetables & Herbs, And Segment Forecasts, 2021 – 2028.
[19] https://draxe.com/vertical-farming/ .

and can be recycled and refurbished at a lower cost. Additionally, the surplus availability of unused shipping containers across the globe also likely to influence the segment growth from 2021 to 2028.[20]

Greenhouses

Greenhouses grow plants in an enclosed, transparent structure that is typically made of glass or polycarbonate. In contrast to indoor vertical farms, greenhouses use natural light where possible, and supplement with artificial light when necessary, so greenhouse farmers can in some regions and time of year, incur less lighting expenses, although they can incur significant heating expenses. For some crops such as leafy greens, summer climates usually prove to be too hot to successfully grow leafy greens. Since climate is closely monitored, greenhouses can still benefit from year-round growth for certain crops. Greenhouses, however, are not fully sealed environments and still exchange air with outside. This means that humidity or pests can have an adverse effect on plant quality. And since greenhouses are not as efficient with space, farmers have greater difficulty locating in urban areas that are closer to customers.

Crop Selection

The main crops currently grown within indoor farms are leafy greens, tomatoes, flowers, herbs, and microgreens.[21] As the main value proposition of indoor farms is local delivery, three key drivers have led farmers to select these crop types. First, crops typically have to be short in height, enabling vertical farms to stack many layers. Second, crops must have a short growth cycle, so that farmers can offset high operating costs with a quick inventory turnover and higher revenue. Last, crops are chosen based on perishability; if a crop is highly perishable, a local grocer or dining establishment pays more for live produce grown nearby.

These factors have resulted in leafy greens becoming the most commonly grown crop among indoor growers. In recent years, profitability for crops has suffered at farms where management does not possess the necessary technology, experience and skill to efficiently grow produce in a vertical farm.

Industry Strategies

There are a number of existing players in the vertical farming industry. Although each player generally has a unique growing approach or value proposition, their strategies can generally be grouped into two separate categories:

(a) Selling vertical farming technology to farmers, greenhouse growers, and other agriculture partners. There are several industry players utilizing this strategy. These companies often have some form of unique technology and have established manufacturing facilities to bring their product to market. This strategy generates one-time earnings as opposed to the perpetual-style earnings available for those that own their own farm.

(b) Using their own vertical farming technology to grow produce and sell to a wholesaler, distributor or direct to retail. There are several industry players currently utilizing this strategy. These groups have established large vertical farming facilities in buildings close to large population centers and are in the process of expanding their presence across North America. As a result, this strategy generally requires meaningful upfront capital expenditures and perpetual-style earnings.

[20] Allied Market Research - Vertical Farming Market Size, Share & Trends Analysis Repot By Structure, By Offering (Lighting, Climate Control), By Growing Mechanism (Hydroponics, Aquaponics), By Fruits, Vegetables & Herbs, And Segment Forecasts, 2021 – 2028.
[21] Grand View Research – Vertical Farming Produce Market – Analysis and Forecasts from 2020 to 2027

As far as CubicFarms is aware, no major players in the vertical farming industry in North America are simultaneously pursuing the two strategies listed above.

Current Positioning and Competitive Advantages

Technology founded by farmers

The CubicFarms patented indoor growing systems were created by farmers to simulate outdoor growing movement with automation while maximizing growing space. This technology provides farmers with commercial scale produce and livestock feed output, 365 says a year, while minimizing their physical and environmental footprint compared to vertical farming “rack and stack” warehouse competitors.

Local Chain Ag-Tech Category Creation & Ecosystem

The Company is working to differentiate and define its own industry category to identify the problems its technologies directly solve for farmers today, with plans to develop a system of partners and suppliers to support their “farmer partners”. The CubicFarms technologies convert wasteful long chain food supply into local chains that benefit farmers, animals, people, planet, and economies. The company is focused on providing farmers with more independence to localize food and feed production in their communities responsibly, sustainably, and affordably.

Fresh Division

Proprietary technology delivers lower labour costs than competitors

Machines require significantly less labour than traditional or greenhouse farming. The harvesting process allows a single point of access for one-touch handling from machine to packaging, reducing labour costs. This patented technology is expected to create a sustainable advantage for CubicFarms as the vertical farming industry attempts to reach profitability through effective cost management.

Seasoned management with the know-how to cut costs

The management team at CubicFarms is experienced in agriculture, technology and manufacturing automation. Together, the team has engaged in the research and development that created the proprietary technology that CubicFarms possesses today. Future innovation, in combination with expertise in supply chain management, are expected to contribute to CubicFarms’ success as it develops operations at its Pitt Meadows facility.

Feed Division

Innovative Partnerships

The Company has developed strategic partnerships with commercial dairy farmers in North America, including Burnett for the Vertical Pastures Beta Project and Certified Dealer Network. These innovative projects will provide the Company with valuable production and nutritional data and exposure to other large-scale farmers that will help drive the promotion, marketing and sales of HydroGreen products.

RISK FACTORS

An investment in the securities of CubicFarms is speculative and involves a high degree of risk and should be regarded as speculative due to the nature of CubicFarms’ business. CubicFarms has incurred losses and expects to incur further losses. Prior to making an investment in CubicFarms’ securities, prospective

investors should carefully consider the information described in this AIF, including the risk factors set out below. Such risk factors, as well as risks not currently known to CubicFarms, could materially adversely affect CubicFarms' future business, operations and financial condition and could cause them to differ materially from the estimates described in forward-looking statements contained herein.

General

An investment in CubicFarms is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result. A prospective investor should consider with care whether an investment in CubicFarms is suitable for them in the light of their personal circumstances and the financial resources available to them.

An investment in CubicFarms should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of CubicFarms' investments will occur or that the investment objectives of CubicFarms will be achieved. Investors may not get back the full or any amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

Changes in economic conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect equity investments and CubicFarms' prospects.

Volatile Market Price

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies experience wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of CubicFarms include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. As a result of any of these factors, the market price of the securities of CubicFarms at any given point in time may not accurately reflect the long-term value of CubicFarms.

There Is No Assurance CubicFarms Will Continue to Meet the Listing Standards of the TSX

CubicFarms must meet continuing listing standards to maintain the listing of Common Shares on the TSX. If CubicFarms fails to comply with such listing standards and the TSX delists or removes the Common Shares, CubicFarms and its security holders could face significant material adverse consequences, including: (i) a limited availability of market quotations for the delisted Common Shares; (ii) reduced liquidity for such Common Shares; (iii) a determination that such Common Shares are "penny stock," which would require brokers trading in such Common Shares to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for such Common Shares; (iv) a limited amount of news about CubicFarms and analyst coverage of it; and (v) a decreased ability for CubicFarms to issue additional securities or obtain additional equity or debt financing in the future.

CubicFarms cannot assure that a market will exist or continue to develop or be sustained for its securities. If a market does not continue to develop or is not sustained, it may be difficult for investors to sell securities at an attractive price or at all. The Company cannot predict the prices at which its securities will trade.

Future Sales of Common Shares by CubicFarms

CubicFarms may issue additional securities in the future, including Common Shares, which may dilute a shareholder's holdings in CubicFarms. CubicFarms' articles permit the issuance of an unlimited number of

Common Shares, an unlimited number of Class A Preferred Shares and an unlimited number of Class B Preferred Shares and shareholders will have no pre-emptive rights in connection with such further issuances under such articles. The Company could enter a contractual pre-emptive rights arrangement in the future. The directors of CubicFarms have the discretion to determine the provisions attaching to any series of Preferred shares and the price and the terms of issue of further issuances of Common Shares. Also, additional Common Shares will be issued by CubicFarms on the exercise of options under CubicFarms' stock option plan.

CubicFarms' Operations May Require Further Capital and Liquidity, Financial Resources and Access to Capital May be Reduced

CubicFarms' operations and development will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of development or production of CubicFarms' products. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to CubicFarms. Any future financing may be dilutive to existing shareholders.

A prolonged decline in the price of Common Shares could result in a reduction in the liquidity of Common Shares and a reduction in CubicFarms' ability to raise capital and/or continue operations. Because a significant portion of CubicFarms' operations have been and are expected in future to be financed through the sale of equity securities, a decline in the price of Common Shares could be especially detrimental to CubicFarms' liquidity and its operations. Such reductions may force CubicFarms to reallocate funds from other planned uses and may have a significant negative effect on CubicFarms' business plan and operations, including its ability to repay outstanding obligations, to develop new products and continue its current operations.

There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be available on favorable terms. If CubicFarms is unable to raise sufficient capital in the future, CubicFarms may not be able to have the resources to continue its normal operations.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. Debt financings may increase CubicFarms' debt levels above industry standards or its ability to service such debt. Any debt financing obtained in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which could make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, entitle lenders to accelerate repayment of debt and there is no assurance that CubicFarms would be able to repay such debt in such an event or prevent the enforcement of security, if any, granted pursuant to such debt financing.

Forward-Looking Statements May Prove Inaccurate

Shareholders are cautioned not to place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. The Company's actual financial position and results of operations may differ materially from management's expectations. 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 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. Additional information on the risks, assumptions and uncertainties are found in this AIF under the heading "*Cautionary Note Regarding Forward-Looking Information.*"

Ability to Implement Business Plan

There can be no assurance that CubicFarms will successfully market the CubicFarm Systems or the HydroGreen Systems. CubicFarms' success will depend upon market acceptance of its technology and products, its ability to enhance its existing technology and products and its ability to introduce new products and features that meet customer requirements. There can be no assurance that CubicFarms will be successful in developing, manufacturing, marketing or enhancing its technology and products. CubicFarms' business would be adversely affected if it incurs delays in spreading its technology, products or enhancements or if such technology, products or enhancements do not gain market acceptance. In addition, there can be no assurance that products or technologies developed by others will not render CubicFarms' technology or products non-competitive or obsolete.

Limited Operating History and No Assurance of Profitability

CubicFarms was incorporated on October 8, 2015. The Company has yet to generate any positive operating cash flow from its business for any financial year since incorporation. CubicFarms will be subject to all of the business risks and uncertainties associated with any early-stage enterprise, including undercapitalization, cash shortages, limitations with respect to personnel, financial and other resources, and lack of revenues.

CubicFarms has incurred operating losses in recent periods. CubicFarms may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, CubicFarms expects to continue to increase operating expenses as it implements initiatives to grow its business. If CubicFarms' revenues do not increase to offset these expected increases in costs and operating expenses, CubicFarms will not be profitable. There is no guarantee that the Company's products will be attractive to potential consumers or that the revenues generated from such products will meet the Company's projections. There is no assurance that CubicFarms will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of the early stage of operations.

Risks Inherent in the Agricultural Business

CubicFarms' revenue involves the growing of vegetable plants and livestock feed and is subject to the risks inherent in the agricultural business, including plant and seed diseases. Although CubicFarms and its customers grow their products in climate-controlled systems, with trained growing personnel continually monitoring the growing conditions in the systems, there can be no assurance that these risks will not have a material adverse effect on the production of its products.

Reliance on Key Personnel and Key Executives

CubicFarms success has depended and continues to depend upon its ability to attract and retain key management and consultants. CubicFarms 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 loss of any of CubicFarms' senior management or key consultants and employees could materially adversely affect CubicFarms' ability to execute CubicFarms' business plan and strategy,

and CubicFarms may not be able to find adequate replacements on a timely basis, or at all. CubicFarms does not maintain key person life insurance policies on any of CubicFarms' employees.

CubicFarms is dependent upon certain of its executive management team. The loss of the services of its executive officers could have a material adverse effect on CubicFarms. CubicFarms' ability to manage its development and operating activities, and hence its success, will depend in large part on the efforts of its executive officers and other members of management of CubicFarms. CubicFarms faces intense competition for qualified personnel, and there can be no assurance that it will be able to attract and retain such personnel. CubicFarms does not yet have in place formal programs for succession or training of management.

Competition

The agricultural industry in North America may become increasingly competitive. CubicFarms expects to face competition from numerous producers throughout North America. A number of these companies may have greater financial resources, operational experience and technical capabilities than CubicFarms. As a result of this competition, CubicFarms may be unable to maintain operations on terms it considers acceptable or at all. There can be no assurance that CubicFarms will be able to compete successfully against its current or future competitors or that such competition will not have a material adverse effect on CubicFarms' financial condition and results of operations and the amount of cash available for distribution to shareholders.

Increased Competition with Field Growers, Greenhouses and Other Vertical Farmers in the Summer

Competition from other growers in the summer months may lead to an oversupply of crops such as leafy greens, basil and microgreens. CubicFarms is subject to the risk that local grocers will opt for other crops from local growers rather than CubicFarms' products. There can be no assurance that retailers will have enough capacity in-store to sell the product of both CubicFarms and other growers.

Pricing of Vegetable Plants

The agricultural business is competitive and sensitive to changes in the price of vegetable plants such as leafy greens, basil and microgreens. The price of CubicFarms' and its customers' products is affected by many factors including supply and demand of the customers, negotiations between buyers and sellers, quality and general economic conditions, all of which could have a material adverse effect on the financial condition of CubicFarms. Demand for CubicFarms' and its customers' products is subject to fluctuations resulting from adverse changes in general economic conditions, evolving consumer preferences, nutritional and health-related concerns and public reaction to food spoilage or food contamination issues. There can be no assurance that demand for CubicFarms' and its customers' products will increase or that present demand levels will be maintained. If demand for plant vegetable plants decreases, CubicFarms' financial condition and results of operations may be materially adversely affected.

Pricing of Animal Feed

The livestock sector is sensitive to changes in the price of feed grains. Feed is the largest single cost item for livestock production and price volatility may adversely affect demand for HydroGreen products. There can be no assurance that demand for HydroGreen products will increase or that present demand levels will be maintained.

Product Liability

CubicFarms is exposed to costs related to warranties, product recalls, potential lawsuits or other claims, particularly if its products were to be proven defective, or potential product liabilities connected with its operations and the marketing and distribution of products, including liabilities and expenses associated with contaminated or unsafe product. There can be no assurance that the insurance against all such potential liabilities maintained by CubicFarms will be adequate in all cases. In addition, even if a claim was not successful or was not fully pursued, the negative publicity surrounding any such assertion could adversely impact CubicFarms' reputation with its customers. The consequences of any of the foregoing events may have a material adverse effect on CubicFarms' financial condition and results of operations.

New and Evolving Technologies

In any new business involving new and evolving technologies there are many unforeseen development risks which could impair or delay CubicFarms in achieving its goals. There is a risk that CubicFarms' technology will not meet the requirements of the market. It is possible that more economical or efficient production technology than what is currently produced by CubicFarms will be developed, thereby potentially adversely affecting CubicFarms' competitive position.

Trade Restrictions

CubicFarms business of constructing and selling vertical farming facilities is dependent on inputs from around the world. CubicFarms machines are currently fabricated in China and shipped around the world. Any adverse trade restriction on farming technology could have a material impact on CubicFarms' business.

Commodity Prices

The cost of CubicFarms machines is dependent on a number of raw materials that can vary in costs with fluctuations in commodity pricing. CubicFarms cannot provide any assurance that the costs of production will remain unchanged on this basis.

Natural Catastrophes

CubicFarms' business operations are located in British Columbia in an area that is geologically active and considered to be at risk from earthquakes. While CubicFarms maintains insurance coverage, it cannot predict that all potential insurable risks have been foreseen or that adequate coverage is maintained against known risks.

Climate Change

CubicFarms recognizes that climate change may affect CubicFarms' and its customers' business and operations directly or indirectly. Extreme weather events (such as prolonged drought or freezing, increased periods of snow and increased frequency and intensity of storms) have the potential to disrupt CubicFarms' and its customers' operations, including transportation routes. CubicFarms is unable to predict the impact of climate change on its business, but extended disruptions could result in interruption to production which could materially adversely affect CubicFarms' financial condition and results.

Governments at all levels are moving towards enacting legislation to address climate change by regulating carbon emissions and energy efficiency, among other things or to make current regulation more stringent. There is no assurance that compliance with such legislation will not have an adverse effect on our business, results of CubicFarms' operations, financial condition and share price.

Transportation Disruptions

Due to the perishable nature of CubicFarms' products, CubicFarms depends on fast and efficient road transportation to distribute its product. Any prolonged disruption of this transportation network could have an adverse effect on CubicFarms' financial condition and results of operations.

International Conflict

International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes and international responses thereto have historically led to, and may in future lead to, uncertainty or volatility in financial markets. Russia's recent invasion of Ukraine has led to sanctions being levied against Russia by the international community and may result in additional sanctions or other international action, any of which may have a destabilizing effect on global economies. Volatility in financial markets, including increased commodity prices, may adversely affect CubicFarms' business, financial condition and results of operations. The extent and duration of the current Russian-Ukrainian conflict and related international action cannot be accurately predicted at this time and the effects of such conflict may magnify the impact of the other risks identified in this AIF.

COVID-19 Pandemic

Global or national health concerns, including the outbreak of pandemic or contagious diseases, such as COVID-19 (coronavirus), may adversely affect the Company. The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises. In December 2019, COVID-19, a novel strain of coronavirus, was reported to have surfaced in Wuhan, China. On January 30, 2020, the WHO declared the outbreak a global health emergency and on March 11, 2020, the WHO expanded its classification of COVID-19 to a worldwide pandemic and federal, provincial and municipal governments in Canada have enacted measures to combat the spread of COVID-19.

The Company expects to experience some short to medium term negative impacts from the COVID-19 outbreak; the extent of such impacts is currently unquantifiable but may be significant. Such impacts include, with respect to its operations, increased suppliers' operations and its customers' operations inquiries, mandated social distancing, isolation and/or quarantines, impacts of declared states of emergency, public health emergency and similar declarations and could include other increased government regulations, a material reduction in demand for the Company's products and services, reduced sales, higher costs for new capital, licencing and permitting delays, increased operating expenses, delayed performance of contractual obligations, and potential supply shortages, all of which are expected to negatively impact the business, financial condition and results of operations of the Company and thus may impact the ability of the Company to comply with financial covenants, and its ability satisfy its obligations to its lenders and other parties, which in turn may adversely impact, among other things, the ability of the Company to access debt or equity capital on acceptable terms or at all.

The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in the Company's facilities. Should an employee or visitor in any of the Company's facilities become infected with a serious illness that has the potential to spread rapidly, this could place the Company's workforce at risk. The outbreak of COVID-19 is one example of such an illness. The Company takes every precaution to strictly follow industrial hygiene and occupational health guidelines and applicable health authority recommendations.

Foreign Exchange Exposure

CubicFarms estimates that a significant portion of its sales will be recorded in US dollars, and as such, it will be necessary to convert US dollars to Canadian dollars to pay for some of its production and overhead costs. Any foreign currency hedge arrangements that CubicFarms has entered into may not protect it against any losses which may occur as a result of a fluctuation in the US/Canadian dollar exchange rates. As a result, such fluctuations may have an adverse impact on CubicFarms' financial results.

Dependence on Third Party Suppliers

CubicFarms has established relations with third party suppliers, upon whom it relies to provide materials and components for its products. A supplier's failure to supply materials or components in a timely manner, or to supply materials and components that meets CubicFarms' quality, quantity or cost requirements, or CubicFarms' inability to obtain substitute sources for these materials and components in a timely manner or on terms acceptable to it, could adversely impact its ability to deliver its products.

Dependence on Third Party Manufacturer

CubicFarms has established relations with its third-party manufacturer, upon whom it relies to manufacture the CubicFarm Systems. A failure of such third party to manufacture CubicFarms' product in a timely manner, or to manufacture the CubicFarm Systems in a manner that meets CubicFarms' quality, quantity or cost requirements, or CubicFarms' inability to obtain a substitute manufacturer for the CubicFarm Systems in a timely manner or on terms acceptable to it, could adversely impact its ability to deliver its products.

Manufacturing Costs and Supply Chain Delays / Disruptions

CubicFarms is continually seeking out ways to reduce its manufacturing costs, which allows it to further reduce selling prices for its products, increase its business volume thereby improving profit margins. CubicFarms' ability to reduce manufacturing costs depends on successful research and development, component purchasing volumes generating savings of scale and fluctuations in material costs.

CubicFarms is subject to supply chain disruption risk, supply chain inflation risk leading to an increase in component costs, and the risk associated with the increasing and volatile costs associated with shipping freight over both land and sea.

Intellectual Property

The success of CubicFarms' business depends in part on its ability to protect its ideas and technology. CubicFarms has been granted a patent in certain countries for the technical approach of the CubicFarms and HydroGreen Systems. CubicFarms is also in the process of applying for patents on its packaging, several other processes and have patents on the manufacturing process. Even if CubicFarms moves to protect its technology with trademarks, patents, copyrights or by other means, CubicFarms is not assured that competitors will not develop similar technology, business methods or that CubicFarms will be able to exercise its legal rights. Other countries may not protect intellectual property rights to the same standards as does Canada. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources such that said actions have a meaningfully impact our ability to successfully grow our business.

Cyber Security

Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world, including CubicFarms. Cyber-attacks against organizations of all sizes are increasing in

sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of CubicFarms' information resources. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. As CubicFarms' reliance on technology has increased, so have the risks posed to its systems. CubicFarms' primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to CubicFarms' business relationships, disclosure of confidential information regarding its employees and third parties with whom CubicFarms interacts, and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny and litigation. CubicFarms has implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Risks Associated with Cross-Border Trade

CubicFarms' products are actively sold internationally. Markets in the United States and other countries may be affected from time to time by trade rulings and the imposition of customs, duties and other tariffs. There can be no assurance that CubicFarms' financial condition and results of operations will not be materially adversely affected by trade rulings and the imposition of customs duties or other tariffs in the future. Furthermore, there is no assurance that further trade actions will not be initiated by US producers of vegetables. Any prolonged disruption in the flow of CubicFarms' product across the US-Canada border or internationally could have an adverse effect on CubicFarms' financial condition and results of operations.

Failure to Realize Growth Strategy

There are risks associated with CubicFarms' growth strategy, and such strategies may not succeed, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors. If CubicFarms cannot manage its growth effectively it may have a material adverse effect on the business, prospects, financial condition, results of operations and cash flows of CubicFarms.

Failure to Comply with Anti-Bribery Laws

CubicFarms is subject to the *Corruption of Foreign Public Officials Act* (Canada) ("**CFPOA**"), which generally prohibits companies and company employees from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. The CFPOA also requires companies to maintain accurate books and records and internal controls, including at foreign controlled subsidiaries. In addition, CubicFarms may become subject to other anti-bribery laws of any nations in which it conducts business that apply similar prohibitions as the CFPOA (e.g., United States Foreign Corrupt Practices Act and the Organization for Economic Co-operation and Development Anti-Bribery Convention). CubicFarms' employees or other agents may, without CubicFarms' knowledge and despite CubicFarms' efforts, engage in prohibited conduct under CubicFarms' policies and procedures and the CFPOA or other anti-bribery laws to which CubicFarms may be subject for which CubicFarms may be held responsible. If CubicFarms' employees or other agents are found to have engaged in such practices, CubicFarms could suffer severe penalties and other consequences that may have a material adverse effect on CubicFarms' business, financial condition and results of operations.

Threat of Legal Proceedings

Due to the nature of its business, CubicFarms may be subject to regulatory investigations, civil claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in litigation, the difficulty of predicting decisions of regulators, judges and juries and the possibility that decisions may be reversed on appeal.

There can be no assurances that any such matters will not have a material adverse effect on CubicFarms' business.

Governmental Regulations

CubicFarms' operations are governed by a broad range of federal, state, provincial and local environmental, health and safety laws and regulations, permits, approvals, and common law and other requirements that impose obligations relating to, among other things: worker health and safety; taxes; labour standards; environmental protection; and other matters. Failure by CubicFarms to comply with applicable laws, rules, regulations and policies may subject CubicFarms to civil or regulatory proceedings, including fines, injunctions, administrative orders or seizures, which may have a material adverse effect on CubicFarms' financial condition and results of operations. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be amended or applied in a manner which could limit, curtail or prevent production, development or exploration, which could cause increases in costs or reduction in levels of production.

CubicFarms' Operations Are Subject to Environmental Risks

All phases of CubicFarms' operations are subject to federal, state, provincial and local environmental regulation in the various jurisdictions in which it operates which could potentially make operations expensive or prohibit them all together. These regulations mandate, among other things, the disposal of waste and the ownership, management, control or use of transport vehicles and real estate. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect CubicFarms' operations or prevent operations all together.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

Uninsured and Underinsured Losses

CubicFarms maintains at all times insurance coverage in respect of business risks, in those amounts, with those insurers, and on those terms as CubicFarms' management considers appropriate to purchase and which is readily available, taking into account all relevant factors including the practices of owners of similar assets and operations, as well as costs.

CubicFarms' insurance will not cover all the potential risks associated with CubicFarms' operations. CubicFarms may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to CubicFarms or to other companies in the same industry on acceptable terms. CubicFarms might also become subject to liability for environmental occurrences pollution or other hazards which may not be insured against or which CubicFarms may elect not to insure against because of premium costs or other reasons. Losses from these events may cause CubicFarms to incur significant costs that could have a material adverse effect upon its financial condition and results of operations.

Accounting Estimates

CubicFarms will be required to make accounting estimates and judgments in the ordinary course of business. Such accounting estimates and judgments will affect the reported amounts of its assets and liabilities at the date of the financial statements and the reported amounts of its operating results during the periods presented. Additionally, CubicFarms will be required to interpret the accounting rules in existence as of the date of the financial statements when the accounting rules are not specific to a particular event or transaction. If the underlying estimates are ultimately proven to be incorrect, or if auditors or regulators subsequently interpret CubicFarms' application of accounting rules differently, subsequent adjustments could have a material adverse effect on its operating results for the period or periods in which the change is identified.

Potential Conflicts of Interest

Certain of the directors and/or officers of CubicFarms are also associated with other companies and, accordingly, conflicts of interest may arise from time to time. In the event of any conflict of interest, CubicFarms will adhere to the provisions of the BCBCA which requires that a director or officer who is a party to, or has the material interest in any person who is a party to, a material contract or proposed material contract with CubicFarms, shall disclose such interest to CubicFarms and shall refrain from voting on any matter in respect of such contract unless otherwise permitted by the BCBCA.

Dividend Risk

CubicFarms has not paid dividends in the past and CubicFarms does not anticipate paying dividends in the near future. CubicFarms expects to retain its earnings to finance further growth and, when appropriate, retire debt.

DIVIDENDS AND DISTRIBUTIONS

No dividends or distributions on the Common Shares have been paid or declared by the Company to date and the Company has no plans at present to declare any dividends or distributions. The future payment of dividends will be determined by the Board and will depend on the financial needs of the Company to fund future growth, the general financial condition of the Company, capital expenditure requirements, potential acquisition opportunities, debt position and other conditions that the Board may consider relevant at such future time, including satisfaction of the solvency requirements under the BCBCA for the declaration and payment of dividends.

DESCRIPTION OF CAPITAL STRUCTURE

Authorized Capital

The Company has an authorized share capital consisting of: (i) an unlimited number of Common Shares without par value or special rights or restrictions attached; (ii) an unlimited number of Class A Preferred Shares without par value and with certain rights and restrictions attached; and (iii) an unlimited number of Class B Preferred Shares without par value and with certain rights and restrictions attached. As of the date of this AIF, the Company has 178,347,204 fully paid and non-assessable Common Shares and no Class A Preferred Shares or Class B Preferred Shares issued and outstanding.

Common Shares

Voting Rights

Each holder of Common Shares is entitled to receive notice of and to attend all meetings of the shareholders of the Company (other than a separate meeting of the holders of another class of shares) and shall have one vote in person or by proxy for each such Common Share held. The holders of Class A Preferred Shares, the holders of Class B Preferred Shares and the holders of Common Shares will vote as one class, except as required by law.

Dividends

Subject to the rights of the holders of any other shares ranking senior to the Common Shares with respect to priority in the payment of dividends, the holders of Common Shares will be entitled to receive dividends as and when declared by the directors of CubicFarms, on a pro rata basis.

Dissolution

In the event of the liquidation, dissolution or winding-up of CubicFarms, the holders of Common Shares will, subject to the rights of holders of any other class of shares of CubicFarms ranking in priority to the Common Shares, participate rateably with the holders of other classes of shares in CubicFarms in equal amounts per share, without preference or distinction, in the remaining assets of CubicFarms.

Class A Preferred Shares

Voting Rights

Each holder of Class A Preferred Shares is entitled to receive notice of and to attend all meetings of the shareholders of the Company (except meetings at which only holders of another class of shares of the Company are required by law to vote separately as a class) and at each such meeting shall have one vote in person or by proxy for each Common Share such holder would be entitled to receive upon full conversion of its Class A Preferred Shares into Common Shares as at the record date of the meeting. The holders of Class A Preferred Shares, the holders of Class B Preferred Shares and the holders of Common Shares will vote as one class, except as required by law.

Dividends

Each holder of Class A Preferred Shares will be entitled to receive dividends as and when declared by the directors of CubicFarms, on a pro rata basis. Each time CubicFarms pays a dividend on any of its Common Shares, it shall also concurrently pay a dividend on a pro rata basis to each holder of Class A Preferred Shares based on the number of Common Shares that such holder would be entitled to receive upon full conversion of its Class A Preferred Shares into Common Shares at the time of declaration of such dividend.

Liquidation or Dissolution

In the event of the liquidation, dissolution or winding-up of CubicFarms, each holder of Class A Preferred shares will be entitled to promptly receive from the assets and property of CubicFarms in respect of such holder's Class A Preferred shares, on a *pari passu* basis with all other such holders, but in preference and in priority to the registered holders of any other class of shares of CubicFarms, including the Common Shares, an amount equal to the greater of: (i) the issue price for each of its Class A Preferred shares (as determined in the Articles of CubicFarms) plus any dividends declared but unpaid thereon; and (ii) the amount that such holder would have received as a holder of the number of Common Shares into which the

Class A Preferred shares held by such holder would have been convertible, and, in each such case, there shall be no priority of one class of shares over the holders of the other class of shares. If upon liquidation or dissolution the assets of CubicFarms available for distribution are insufficient to make such payments, each holder of Class A Preferred shares will share rateably in any distribution of the assets available for distribution to the holders of Class A Preferred shares in proportion to the respective amounts which would otherwise be payable in respect of the Class A Preferred shares held by them upon such distribution.

Class B Preferred Shares

Voting Rights

Each holder of Class B Preferred Shares is entitled to receive notice of and to attend all meetings of the shareholders of the Company (except meetings at which only holders of another class of shares of the Company are required by law to vote separately as a class) and at each such meeting shall have one vote in person or by proxy for each Common Share such holder would be entitled to receive upon full conversion of its Class B Preferred Shares into Common Shares as at the record date of the meeting. The holders of Class B Preferred Shares, the holders of Class A Preferred Shares and the holders of Common Shares will vote as one class, except as required by law.

Dividends

Each holder of Class B Preferred Shares will be entitled to receive dividends as and when declared by the directors of CubicFarms, on a pro rata basis. Each time CubicFarms pays a dividend on any of its Common Shares, it shall also concurrently pay a dividend on a pro rata basis to each holder of Class B Preferred Shares based on the number of Common Shares that such holder would be entitled to receive upon full conversion of its Class B Preferred Shares into Common Shares at the time of declaration of such dividend.

Liquidation or Dissolution

In the event of the liquidation, dissolution or winding-up of CubicFarms, each holder of Class B Preferred Shares will be entitled to promptly receive from the assets and property of CubicFarms in respect of such holder's Class B Preferred Shares, on a *pari passu* basis with all other such holders. But in preference and in priority to the registered holders of any other class of shares of CubicFarms, including the Common Shares, an amount equal to the greater of: (i) the issue price for each of its Class B Preferred Shares (as determined in the Articles of CubicFarms) plus any dividends declared but unpaid thereon; and (ii) the amount that such holder would have received as a holder of the number of Common Shares into which the Class B Preferred Shares held by such holder would have been convertible, and, in each such case, there shall be no priority of one class of shares over the holders of the other class of shares. If upon liquidation or dissolution the assets of CubicFarms available for distribution are insufficient to make such payments, each holder of Class B Preferred Shares will share rateably in any distribution of the assets available for distribution to the holders of Class B Preferred Shares in proportion to the respective amounts which would otherwise be payable in respect of the Class B Preferred Shares held by them upon such distribution.

Share Purchase Warrants

CubicFarms has issued share purchase warrants, entitling the holders to purchase up to 6,399,371 Common Shares at an exercise price of $0.19 per Common Share, as follows:

NUMBER OF WARRANTS	GRANT DATE	EXPIRY DATE	VESTING
6,399,371	May 3, 2018	April 1, 2027	100% on August 20, 2021[(1)]

	153,334	March 20, 2018	March 30, 2023	Milestone based vesting conditions

NOTES:

(1) Vested upon agreement to cancel 4,067,759 warrants of sole warrant holder, Cubic Manufacturing.

Stock Options

There are 18,427,333 stock options of CubicFarms (the "**Cubic Options**") outstanding as of the date of this AIF. The Cubic Options are governed by the terms of CubicFarms' stock option plan (the "**Cubic Stock Option Plan**") which was approved by the Board on June 18, 2019. The Cubic Stock Option Plan authorizes the Board to issue stock options to directors, officers, employees and consultants of CubicFarms and its subsidiaries. The purpose of the Cubic Stock Option Plan is to provide an incentive to directors, officers, employees and consultants of CubicFarms, to acquire a proprietary interest in CubicFarms, to continue their participation in the affairs of CubicFarms and to increase their efforts on behalf of CubicFarms. The exercise price of Cubic Options granted under the Cubic Stock Option Plan will be fixed by the Board at the time of grant, provided that the exercise price (a) if the Common Shares are listed on the TSX-V, will not be lower than the last closing price for the Common Shares as quoted on the Exchange prior to the date of grant, less any discount permitted by the TSX-V; (b) if the Common Shares are listed on the Toronto Stock Exchange, will not be lower than the last closing price for the Common Shares as quoted on the Toronto Stock Exchange prior to the date of grant or, (c) if the Common Shares are not listed on any stock exchange, a price determined by the Board, subject to the rules or policies of any stock exchange or quotation system on which the Common Shares are listed.

Maximum Number of Common Shares Reserved

The aggregate number of Common Shares that may be issued pursuant to the exercise of Cubic Options granted under the Cubic Stock Option Plan and all other share compensation arrangements of CubicFarms is fixed at 27,901,098, being 20% of the issued and outstanding Common Shares as of May 17, 2021, the record date for the determination of shareholders entitled to receive notice of and to vote at the Company's Annual General Meeting of shareholders held on June 17, 2021.

Transferability

The Cubic Options are not assignable or transferable.

Term and Vesting

The term of Cubic Options granted shall be determined by the Board in its discretion, up to a maximum of 10 years from the date of the grant of the Cubic Option. The vesting period or periods within this period during which a Cubic Option or a portion thereof may be exercised shall be determined by the Board. Further, the Board may, in its sole discretion, at any time, in the agreement in respect of the Cubic Option grant, accelerate or provide for the acceleration of, vesting of Cubic Options previously granted.

Early Expiration

Unless otherwise provided in an agreement evidencing the grant of Cubic Options, Cubic Options shall terminate at the earlier of: (i) immediately upon termination of the Cubic Option holder for cause; (ii) on a date fixed by the Board, which will be no more than one year from the date the Cubic Option holder ceases to be an eligible person under the Cubic Stock Option Plan (other than by reason of death, disability or cause) and if no such date is fixed, 30 days after the Cubic Option holder ceases (other than by reason of death, disability or cause) to be an eligible person; and (iii) if the Cubic Option holder ceases to be an

eligible person due to death or disability, the Cubic Option will terminate one year from the date of death or disability of such holder.

MARKET FOR SECURITIES

Trading Price and Volume

The following table sets forth information relating to the trading of the Common Shares on the TSX and TSX-V during the most recently completed financial year and up to the date of this AIF.

TSX

MONTH	HIGH ($)	LOW ($)	VOLUME
March 1 - 30, 2022	1.29	1.05	2,519,467
February 2022	1.23	0.99	1,370,075
January 2022	1.22	0.98	2,461,814
December 2021	1.25	1.06	1,873,717
November 2021	1.70	1.13	3,785,532
October 2021	1.62	1.35	2,503,800
September 2021	1.41	1.16	1,855,440

TSX-V

MONTH	HIGH ($)	LOW ($)	VOLUME
August 2021	1.39	1.03	5,696,980
July 2021	1.50	1.33	1,201,607
June 2021	1.50	1.31	1,607,791
May 2021	1.58	1.32	2,234,305
April 2021	1.82	1.40	3,798,101
March 2021	1.48	1.15	2,592,880
February 2021	1.59	0.91	6,237,458
January 2021	1.05	0.91	3,114,358

Prior Sales

The following table summarises the grant and issuance of the securities outstanding but not listed or quoted on a marketplace, convertible or exercisable, as applicable, into Common Shares during the most recently completed financial year and up to the date of this AIF.

DATE GRANTED/ISSUED	NUMBER OF SECURITIES	SECURITY	EXERCISE/ISSUE PRICE
February 28, 2022	70,000	Options exercisable for 70,000 Common Shares	$1.13

January 31, 2022	20,000	Options exercisable for 200,000 Common Shares	$1.16
January 11, 2022	500,000	Options exercisable for 500,000 Common Shares	$1.10
October 31, 2021	350,000	Options exercisable for 350,000 Common Shares	$1.59
September 30, 2021	259,000	Options exercisable for 59,000 Common Shares	$1.32
August 31, 2021	70,000	Options exercisable for 70,000 Common Shares	$1.04
June 30, 2021	934,000	Options exercisable for 934,000 Common Shares	$1.44
May 17, 2021	700,000	Options exercisable for 700,000 Common Shares	$1.47
March 29, 2021	250,000	Options exercisable for 250,000 Common Shares	$1.29
March 3, 2021	500,000	Options exercisable for 500,000 Common Shares	$1.06
January 25, 2021	50,000	Options exercisable for 50,000 Common Shares	$0.78
January 25, 2021	500,000	Options exercisable for 500,000 Common Shares	$0.90

ESCROWED SECURITIES

To the Company's knowledge, no securities are held in escrow or subject to a contractual restriction on transfer.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The Company's directors are elected by the shareholders at each annual meeting and hold office until the next annual meeting at which time they may be re-elected or replaced. Casual vacancies on the Board are filled by the remaining directors, in accordance with the articles of the Company, and the persons filling those vacancies hold office until the next annual general meeting at which time they may be re-elected or replaced. The officers are appointed by the Board and hold office at the pleasure of the Board.

The following table sets forth the name of each of our directors and executive officers, their province or state and country of residence, their position(s) with the Company, their principal occupation during the preceding five years and the date they first became a director of the Company.

NAME, PROVINCE AND COUNTRY OF RESIDENCE	PRINCIPAL OCCUPATION FOR PAST FIVE YEARS	DIRECTOR OR OFFICER OF CUBICFARMS SINCE	NUMBER AND PERCENTAGE OF SECURITIES BENEFICIALLY OWNED, CONTROLLED OR DIRECTED
Leo Benne British Columbia, Canada Director	President and General Manager of Bevo Farms Ltd.	February 11, 2016	7,478,067[1] Common Shares (4.19% of Common Shares) 2,175,000 Cubic Options
Jeffrey Booth British Columbia, Canada Director and Chairman	President, 5 Booths Consulting Inc. Nov 2017 – present Previous President & CEO, Co-Founder – BuildDirect Technologies	December 19, 2019	224,700[2] Common Shares (0.12% of Common Shares) 930,000 Cubic Options
Daniel Burns[5] British Columbia, Canada Director	Corporate Director	Director as of May 7, 2019, and Non-Executive Chairman as of May 3, 2019	500,000 Cubic Options
Janet Wood British Columbia, Canada Director	Corporate Director Interim President and CEO of Science World British Columbia from 2019 to 2020 HR Leader, Office of the CEO at SAP from 2017 to 2019 and Global Head, Talent and Leadership at SAP from 2013 to 2017	May 14, 2021	175,000 Cubic Options
David Dinesen British Columbia, Canada Director Chief Executive Officer	Chief Executive Officer of CubicFarms President and CEO of WideOcean Strategies Ltd.	October 8, 2015	9,424,015[3] Common Shares (5.28% of Common Shares) 2,920,000 Cubic Options
Michael McCarthy[5] British Columbia, Canada Director	Senior Vice President Customer Relations at Finning since October 2020 Vice President Business Solutions at Telus from 2011 to 2019	December 19, 2018	40,000 Common Shares (0.02% of Common Shares) 380,000 Cubic Options

NAME, PROVINCE AND COUNTRY OF RESIDENCE	PRINCIPAL OCCUPATION FOR PAST FIVE YEARS	DIRECTOR OR OFFICER OF CUBICFARMS SINCE	NUMBER AND PERCENTAGE OF SECURITIES BENEFICIALLY OWNED, CONTROLLED OR DIRECTED
G. David Cole[5] Ontario, Canada Director	Vice Chairman, Enterprise Strategic Client Group at RBC	January 12, 2022	175,000 Cubic Options
Tim Fernback British Columbia, Canada Chief Financial Officer	Chief Financial Officer, CubicFarms March 2020 – present President and Chief Executive Officer, TCF Ventures Corp., a business consultancy firm working exclusively with high technology and high growth companies since 1998	March 5, 2020	129,533[4] Common Shares (0.07% of Common Shares) 750,000 Cubic Options

Notes:

(1) Includes 6,273,865 Common Shares owned by C.G.M. Ventures Inc. over which Benne exercises control and direction.
(2) Includes 116,200 Common Shares owned by 5 Booths Consulting Inc., a company controlled by Jeffrey Booth and 35,500 Common Shares owned by Kelly Booth.
(3) Includes 6,564,801 Common Shares owned by WideOcean Strategies Ltd., a company controlled by David Dinesen, 45,210 Common Shares owned by The Blue Ocean Trust, a trust for the benefit of Dave Dinesen's family members and 514,004 Common Shares owned by Carolynne Dinesen.
(4) Includes 77,400 Common Shares owned by TCF Ventures Corp., a company controlled by Tim Fernback.
(5) Member of Audit Committee.

As at the date of this AIF, the directors and executive officers of the Company, collectively, beneficially own, directly and indirectly, or exercise control or direction over 17,296,315 Common Shares, representing 10% of the total number of Common Shares outstanding, and 25,301,315 Common Shares, representing 12% of the total number of Common Shares outstanding if all securities to acquire Common Shares held by such group are exercised. The statement as to the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers of the Company as a group is based upon information furnished by the directors and executive officers.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company is, or within ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including the Company) that: (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as disclosed below, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (i) is, or within ten years prior to the date hereof has been, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

- Daniel Burns became the sole independent director of Rubicon Minerals Corporation in August of 2016 after the resignation of the previous board to assist with the restructuring and refinancing of the Company. The Company entered the CCAA in October 2016 and emerged from CCAA proceedings on December 20, 2016, after a successful implementation of the restructuring transaction. Burns had no previous involvement with the Company prior to his appointment.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Except as disclosed below, there are no existing or potential material conflicts of interest between the Company or a subsidiary of the Company and a director or officer of the Company or of a subsidiary of the Company.

Some of the directors and officers of CubicFarms are also directors, officers and/or promoters of other reporting and non-reporting issuers, including those engaged in the agriculture industry. As a result, potential conflicts of interest may arise.

CubicFarms entered into a Reseller Agreement with HGG. HGG has been engaged to help drive the promotion, marketing, and sales of HydroGreen machines. HGG is licensed to use the "HydroGreen" name and trademark in its authorized reseller activities to maintain brand consistency in the marketplace. John De Jonge, former a director of the Company, has a non-controlling indirect ownership interest in HGG.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the best of Company's knowledge, there are no material legal proceedings by or against the Company or affecting any of its interests as of the date hereof, nor are we aware that any such proceedings are contemplated.

Furthermore, there are no: (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during its most recently completed financial year; (b) other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision in the Company; or (c) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority during its most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described below, none of the persons who were directors or executive officers of the Company or a subsidiary of the Company at any time during the Company's last three most recently completed financial years or during the current financial year, no person or company that beneficially owns, or controls or directs (or a combination of both), directly or indirectly, more than 10% of the issued and outstanding Common Shares of the Company, and no associate or affiliate of any such persons, has any material interest, direct or indirect, in any transaction which has materially affected or is reasonably expected to materially affect the Company.

- On July 20, 2020, CubicFarms entered into a Reseller Agreement with HGG. HGG has been engaged to help drive the promotion, marketing, and sales of HydroGreen machines. HGG is licensed to use the "HydroGreen" name and trademark in its authorized reseller activities to maintain brand consistency in the marketplace. John De Jonge, a former director of the Company, has a non-controlling indirect ownership interest in HGG.

AUDIT COMMITTEE

The Audit Committee Charter

The Company's Audit Committee is governed by an audit committee charter. A copy of the Company's Audit Committee Charter is attached hereto as Schedule "A".

Composition of the Audit Committee

The Company's Audit Committee is comprised of three directors: G. David Cole, Michael McCarthy and Daniel Burns. Cole, McCarthy and Burns are independent (as defined in NI 52-110). Burns will be stepping down as Audit Committee Chairman effective April 1, 2022, in connection with his appointment as Interim CFO, effective April 1, 2022.

All Audit Committee members are "financially literate," as defined in NI 52-110, as all have the industry experience necessary to understand and analyze financial statements of the Company, as well as the understanding of internal controls and procedures necessary for financial reporting.

The Audit Committee is responsible for the review of both interim and annual financial statements for the Company. For the purposes of performing their duties, the members of the Audit Committee have the right at all times, to inspect all the books and financial records of the Company and any subsidiaries and to discuss with management and the external auditors of the Company any accounts, records and matters relating to the financial statements of the Company. The Audit Committee members meet periodically with management and quarterly with the external auditors.

Relevant Education and Experience of Members of the Audit Committee

Every member in the Audit Committee has sufficient education and experience to perform its responsibilities in relation to the Audit Committee, including:

- Understanding the accounting principles used by the Company to prepare its financial statements;
- Having the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions;
- Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial

statements, or experience actively supervising one or more individuals engaged in such activities; and
- An understanding of internal controls and procedures for financial reporting.

The relevant education and/or experience of each member of the Audit Committee is as follows:

- Daniel Burns (Independent Director, Audit Committee Chairman) is a lawyer, accountant and entrepreneur. He is the CEO of NDC Solutions Inc, a software development company that has developed alternative booking solutions for major airlines. He was the first ICD certified director British Columbia and is an experienced corporate director with regulated and public companies. Burns has a Master of Business Administration from the Rotman School of Management, University of Toronto and a Global Executive Master of Business Administration from the University of St. Gallen, Switzerland.

- Michael McCarthy (Independent Director) held a senior executive role at TELUS (one of Canada's largest corporations) for 9 years (2010 - 2019). His responsibilities included managing P&L, bid management, competition law compliance, financial accounting and regulatory compliance. McCarthy has a B.Sc Computer Science / Mathematics from McMaster University.

- G. David Cole (Independent Director) is a senior financial executive with nearly 40 years of corporate experience in a broad range of global markets and economies. Cole is the Vice Chairman of the Enterprise Strategic Client Group at Royal Bank of Canada, Canada's largest bank, with extensive expertise in strategic business growth, capital markets and financial products. He is a member of the Institute of Corporate Directors and a member of multiple boards. Cole has a Master of Business Administration from Kellogg School of Management, Northwestern University.

Since the commencement of the most recently completed financial year, the Company has not relied on the exemptions contained in sections 2.4, 3.2, 3.4, 3.5 or Part 8 of NI 52-110.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate CubicFarms' current external auditor, KPMG LLP, not adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as set out in the Audit Committee Charter of the Company.

External Auditor Service Fees

In the following table, "audit fees" are fees billed by the Company's external auditor for services provided in auditing the Company's annual financial statements for the subject year. "Audit-related fees" are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit review of the Company's financial statements. "Tax fees" are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. "All other fees" are fees billed by the auditor for products and services not included in the foregoing categories.

The aggregate fees billed by the Company's external auditor in the last two financial years, by category, are as follows:

FINANCIAL YEAR ENDED	AUDIT FEES	AUDIT RELATED FEES(1)	TAX FEES(2)	ALL OTHER FEES
June 30, 2020	$96,000	$51,164	$13,723	$73,535
December 31, 2020	$100,000	$Nil	$Nil	$Nil
December 31, 2021	$227,561	$53,500	$55,052	$107,000

NOTES:

(1) Audit-Related Fees consist of quarterly reviews, financial, accounting and income tax matters for quarterly reviews.
(2) Tax Fees consist of the preparation of tax returns, tax compliance, tax advice and tax planning.

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc., at its principal offices in Vancouver, British Columbia, is the transfer agent and registrar for the Common Shares.

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, the Company has not entered into any material contracts (i) since the beginning of its most recently completed financial year or (ii) before the beginning of its most recently completed financial year and that are still in effect.

INTERESTS OF EXPERTS

The Company's auditors are KPMG LLP of 777 Dunsmuir Street, 11th Floor, Vancouver, BC V7Y 1K3. KPMG LLP have advised that they are independent of the Company in accordance with the auditor's rules of professional conduct in a jurisdiction of Canada.

ADDITIONAL INFORMATION

Additional information relating to CubicFarms may be obtained from SEDAR at www.sedar.com under the Company's profile.

Additional financial information is provided in the Company's most recent audited financial statements and management discussion and analysis, which are available on SEDAR at www.sedar.com under the Company's profile.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, are contained in the Company's information circular for its most recent annual meeting of shareholders.

SCHEDULE “A”
AUDIT COMMITTEE CHARTER

[See attached.]

SCHEDULE "A"

AUDIT COMMITTEE CHARTER
CUBICFARM SYSTEMS CORP.
(the "Company")

I. PURPOSE

II.

The Audi Committee Charter (the "Charter") outlines the duties and responsibilities of the Audit Committee (the "Committee") is, subject to applicable laws and the Company's constating documents, to:

(a) assist the board of directors (the "Board of Directors" or "Board") of the Company in fulfilling its oversight responsibilities by reviewing and reporting on the financial information which will be provided to shareholders and others, the system of corporate internal controls which management and the Board have established, and the audit process;

(b) identifying the principal risks of the Company and its subsidiaries and ensuring the implementation of appropriate systems to monitor those risks;

(c) reviewing accounting principles, capital budgeting and major transactions (acquisitions, divestitures and funding);

(d) increasing the credibility and objectivity of financial reports;

(e) facilitating better communication between director of the Company (the "Directors") and the external auditor;

(f) enhancing the independence of the external auditor; and

(g) reviewing compliance with applicable legal and regulatory requirements.

III. COMPOSITION AND TERM OF OFFICE

(i) Members of the Committee are appointed for a one (1) year term at the first meeting of the Directors of the Company following the Annual General Meeting. Members of the Committee may be removed from office or replaced at any time by the Board. Any member shall cease to be a member upon ceasing to be a Director. Each member of the Committee shall hold office until the close of the next annual meeting of shareholders of the Company or until the member ceases to be a director, resigns or is replaced, whichever first occurs.

(ii) The Committee is comprised of not less than a majority of independent Directors who are financially literate (i.e., have the ability to read and understand a set of financial statements such as a balance sheet, an income statement and a cash flow statement) and at least one member shall have an accounting designation or related financial expertise.

(iii) The Chair of the Committee shall be appointed by the Board of Directors. In the absence of the appointed Chair from any meeting of the Committee, the members shall elect a Chair from those in attendance to act as Chair of the meeting.

(iv) The Chief Financial Officer ("CFO") will act as the management liaison for the Committee.

(v) The Committee will meet not less than four (4) times per year.

(vi) The quorum for the Committee is a majority of members.

IV. FINANCIAL REPORTING

The Committee will have the following duties and responsibilities:

(i) Review and recommend to the Board the annual financial reports (AIF, MIC, N.I. 52-110F1, financial statements, MD&A, reports to shareholders and press releases) for approval.

(ii) If so approved by the Board, review and approve the quarterly financial statements (financial statements, MD&A, reports to shareholders and press releases) and, if not so approved by the board, review and recommend the quarterly financial statements (financial statements, MD&A, reports to shareholders and press releases) to the Board for approval

(iii) Be satisfied that for all other public disclosures or information that is extracted or derived from the financial statements, that management has procedures in place to review such information, and periodically assess the adequacy of such procedures.

(iv) Review and approve any other press releases that relate to material financial disclosures.

(v) Review and recommend any changes to accounting policies to the Board.

(vi) Review with the auditors any areas of judgment or where estimates have been made, including effects of alternatives under generally accepted accounting principles.

V. OTHER REVIEW PROCEDURES

The Committee will have the following duties and responsibilities:

(a) Review with management the opportunities and risks inherent in the business and the effectiveness of the controls thereon, including risk mitigation and management strategies.

(b) Oversee management reporting on and review of adequacy of internal controls (while it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the Audit Committee to ensure that management has done so).

(c) Gain reasonable assurance that the Company complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure.

(d) Confirm or review the Company's disclosure policy.

(e) Review material transactions (acquisitions, divestitures and funding).

(f) Review policies and compliance with same that require significant actual or potential liabilities, contingent or otherwise, to be reported to the committee in a timely fashion.

(g) Approve annually the reasonableness of the expenses of the Executive Chairman, President, and CFO.

VI. EXTERNAL AUDITORS

The Committee will recommend to the Board, for shareholder approval, an external auditor to examine the Company's accounts, control and financial statements on the basis that the external auditor is accountable to the Board and the Committee as representatives of the shareholders of the Company.

The external auditor reports directly to the Committee with unrestricted access and will meet at least quarterly with the Committee. Matters discussed will include the annual audit, quarterly reviews, the quality of the Company's accounting policies and principles, and the adequacy and effectiveness of the Company's internal control and management information systems. In-camera sessions with the external auditors will be held quarterly or as determined by the Committee. In addition, the Committee will have the following duties and responsibilities:

(a) Provide approval and recommend to the Board the external auditor's remuneration, or their discharge.

(b) Provide oversight to the audit engagement by way of a direct reporting relationship with the external auditor and ensure their independence.

(c) Evaluate the audit services provided by the external auditor;

(d) Review external audit plans for the year.

(e) Review with the external auditors any difficulties which arose during the course of their engagement and the ongoing relationship with management.

(f) Obtain and review, at least annually, a written report by the external auditor setting out the auditor's internal quality-control procedures, any material issues raised by the auditor's internal quality-control reviews and the steps taken to resolve those issues.

(g) Review, at least annually, the relationship between the Company and the external auditor in order to establish the independence of the external auditor.

(h) Pre-approve all audit and non-audit services to be provided by the external auditor (which may be delegated to one or more members of the Committee for ratification at the next scheduled Audit Committee meeting).

(i) Review and approve any hiring of partners/employees of the external auditors.

VII. INTERNAL AUDIT

The Committee will have the following duties and responsibilities:

(a) Work with management to establish the internal audit department's form and scope.

(b) Review the internal audit staff functions, including:

- the purpose, authority and organizational reporting lines; and
- the annual audit plan, budget and staffing.

(c) Review, with the CEO and the CFO and others, as appropriate, the Company's internal system of audit controls and the results of internal audits.

(d) Review and monitor the Company's major financial risks and risk management policies, the effectiveness and efficiency of such policies, and the steps taken by management to mitigate those risks.

(e) Review the Company's disclosure controls and procedures and internal control over financial reporting (the "Controls"), and consider whether the Controls:

- provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, if any, is made known to the Company's CEO and CFO, particularly during the period in which the Company's annual filings are being prepared; and

- provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

(f) Meet at least annually with management (including the CEO and CFO), the internal audit staff, and the external auditor in separate executive sessions and review issues and matters of concern respecting audits and financial reporting.

(g) In connection with its review of the annual audited financial statements and interim financial statements, the Committee will also review the process for the CEO and CFO certifications (if required by law or regulation) with respect to the financial statements and the Company's disclosure and internal controls, including any material deficiencies or changes in those controls.

VIII. OTHER

The Committee will have the following duties and responsibilities:

(a) Establish procedures for receipt, retention and treatment of complaints and concerns regarding accounting matters, internal accounting controls and auditing matters or related questionable practices, including anonymous submissions by employees.

(b) Ensure for each meeting that minutes are recorded, drafted and circulated on a timely basis to committee members.

(c) Confirm or amend the Committee's charter annually, for review by external auditors and legal counsel and approval by the Board.

(d) Prior to renewals, review Director & Officer Liability insurance and other corporate insurance coverage.

IX. REVIEW OF CHARTER, AMENDMENT AND WAIVER

The Board will review and reassess the adequacy of this Charter annually or otherwise as it deems appropriate. These guidelines may be amended or modified by the Board, subject to disclosure and other policies and guidelines of the Canadian Securities Administrators.

Approved by the Board of Directors:
June 25, 2019