

Affinity® Royalty Platform

1. Affinity® Rate Sheet

The Affinity® royalty platform starts with the **Affinity® Rate Sheet (“ARS”)**. This is a periodically published schedule which sets out the **Rate Per Gram (“RPG”)** of cannabinoid concentrate generated by the Affinity® Alpha system. The output concentrate can be either an isolate or distillate, depending on the preference of the operator.

The current ARS (as of July 1, 2019) is indicated below. Note that the first tier of the schedule is the current **Baseline Rate**, which is subject to discounts based on volume, with the final tier representing the lowest RPG available to the highest volume users of the platform.

Affinity® Rate Sheet (07/01/2019)

Discount Tier	Average Daily Output*	Rate Per Gram of Output (USD)**
1.	< 20 Kg	\$ 0.30
2.	20-99 Kg	0.285
3.	100 – 499 Kg	0.265
4.	500 – 999 Kg	0.245
5.	1000 + Kg	0.225

* Average daily production of Concentrate (Isolate or Distillate) calculated on a monthly basis over agreement term.

** Rate per gram of output Concentrate (Isolate or Distillate)

2. Conversion Formula

Royalties are calculated using a **Conversion Formula**, which translates the **Rate Per Gram (“RPG”)** of Output Concentrate to a **Rate Per Litre (“RPL”)** of Input Material or Crude Feedstock.

The **Conversion Formula** is as follows:

$$\text{RPL} = (\text{Adjusted RPG} \times \text{Content}) / \text{Dilution}$$

Where:

***RPL** = Rate Per Litre of Input Material*

***Adjusted RPG** = Rate Per Gram of Output Concentrate x 1000*

***Content** = % Content of Cannabinoids in Input Material*

***Dilution** = Dilution Ratio of Input Material prior to Affinity processing*

3. Example

For example, an Operator generating an average of **30 Kg** of Concentrate per Day would have a target RPG of **\$0.285** for Output Concentrate. Assuming that the cannabinoid content in the Input Feedstock is **65%**, and the Dilution Ratio is 10X, the Operator would pay an RPL of **\$18.52**.

The calculation is as follows:

$$\text{\$18.52} = (\text{\$285} \times \text{.65}) / 10$$

In other words, the Royalty Cost Per Litre of Input Material (Crude) is **\$18.52**. This equates to a Royalty Cost Per Gram of Output Material (Purified Isolate) of **\$0.285**