



PUF VENTURES INC.

NOTICE OF MEETING AND MANAGEMENT INFORMATION CIRCULAR

FOR

ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

IN RESPECT OF AN ARRANGEMENT BETWEEN

PUF VENTURES INC.

AND

**WEED POINTS LOYALTY INC.
dba TechOneSixty**

TO BE HELD ON NOVEMBER 24, 2017

No securities regulatory authority has in any way passed upon the merits of the transaction described in this information circular.

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PUF VENTURES INC.
Suite 804 – 750 West Pender Street
Vancouver, BC V6C 2T7

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

TAKE NOTICE that, pursuant to an order of the Supreme Court of British Columbia, an annual general and special meeting (the “**Meeting**”) of holders (the “**PUF Shareholders**”) of common shares (the “**PUF Shares**”) of PUF Ventures Inc. (“**PUF**” or the “**Company**”) will be held at Suite 804 – 750 West Pender Street, Vancouver, British Columbia, V6C 2T7, at 11:00 a.m. (Pacific Time) on **Friday, November 24, 2017** for the following purposes:

1. To receive the audited financial statements of the Company for the financial year ended December 31, 2016, the auditor’s report thereon and the management’s discussion and analysis for the financial year ended December 31, 2016;
2. To fix the number of directors for the ensuing year;
3. To elect directors of the Company for the ensuing year;
4. To appoint the auditor of the Company for the ensuing year and to authorize the board of directors to fix the auditor’s remuneration;
5. To re-approve the 10% rolling stock option plan of the Company;
6. To consider and, if thought fit, pass, with or without variation, a special resolution (the “**Arrangement Resolution**”) to approve an arrangement (the “**Arrangement**”) under Division 5 of Part 9 of the *Business Corporations Act* (British Columbia) (the “**BCBCA**”), the full text of which resolution is set forth in **Appendix A** to the accompanying Information Circular (the “**Circular**”) of the Company, which involves, among other things, the distribution of common shares of Weed Points Loyalty Inc. dba TechOneSixty (“**Weed Points**”) to the PUF Shareholders, all as more particularly described in, the accompanying Circular; and
7. To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

AND TAKE NOTICE that PUF Shareholders who validly dissent from the Arrangement will be entitled to be paid the fair value of their PUF Shares subject to strict compliance with the provisions of the Interim Order (as set forth herein), the Plan of Arrangement and sections 237 to 247 of the BCBCA. The right to dissent is described in the section of the Circular entitled *The Arrangement – Dissenting Holders’ Rights*, the text of the Interim Order is set out in **Appendix C** to the Circular, and the dissent procedures is set out in **Appendix D** to this Circular. **Failure to comply with the requirements set forth in the Plan of Arrangement and sections 237 to 247 of the BCBCA may result in the loss of any right of dissent.**

The Circular provides additional information relating to the matters to be dealt with at the Meeting and is deemed to form part of this Notice. Also accompanying this Notice and the Circular is a form of proxy for use at the Meeting. Any adjourned meeting resulting from an adjournment of the Meeting will be held at a time and place to be specified at the Meeting. Only PUF Shareholders of record at the close of business on October 4, 2017 will be entitled to receive notice of and vote at the Meeting.

Registered PUF Shareholders who are unable to attend the Meeting are requested to date, sign and return the enclosed form of proxy and deliver it in accordance with the instructions set out in the proxy and in the Circular. If you are a non-registered PUF Shareholder and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or the other intermediary. Failure to do so may result in your PUF Shares not being voted at the Meeting. See *General Proxy Information – Beneficial Shareholders* in the accompanying Circular for further information on how to vote your PUF Shares.

Dated at Toronto, Ontario, this 20th day of October, 2017.

PUF VENTURES INC.

“*Derek Ivany*”
President and CEO



PUF VENTURES INC.
Suite 804 – 750 West Pender Street
Vancouver, BC V6C 2T7

MANAGEMENT INFORMATION CIRCULAR
(Containing information as at October 20, 2017 unless indicated otherwise)

This Management Information Circular (the “**Circular**”) is furnished in connection with the solicitation of proxies by management of PUF Ventures Inc. (the “**Company**” or “**PUF**”) for use at the annual general and special meeting (the “**Meeting**”) of its shareholders (the “**PUF Shareholders**”) to be held on Friday, November 24, 2017 at the time and place and for the purposes set forth in the accompanying notice of the Meeting.

Unless the context otherwise requires, capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Glossary of Terms in this Circular.

In considering whether to vote for the approval of the Arrangement, PUF Shareholders should be aware that there are various risks, including those described under *Risk Factors* in this Circular. PUF Shareholders should carefully consider these risk factors, together with other information included in this Circular, before deciding whether to approve the Arrangement.

No person has been authorized to give any information or to make any representation in connection with the Arrangement and other matters described herein other than those contained in this Circular and, if given or made, any such information or representation should be considered not to have been authorized by the Company.

This Circular does not constitute the solicitation of an offer to purchase any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation is not authorized or in which the person making such solicitation is not qualified to do so or to any person to whom it is unlawful to make such solicitation.

Information contained in this Circular should not be construed as legal, tax or financial advice and PUF Shareholders are urged to consult their own professional advisors in connection therewith.

Descriptions in the body of this Circular of the terms of the Arrangement Agreement and the Plan of Arrangement are merely summaries of the terms of those documents. PUF Shareholders should refer to the full text of the Arrangement Agreement and the Plan of Arrangement for complete details of those documents. The full text of the Arrangement Agreement is attached to this Circular as **Appendix B** and the Plan of Arrangement is attached as Schedule A to the Arrangement Agreement.

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

Except for statements of historical fact contained herein, the information presented in this Circular constitutes “forward-looking statements”. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “potential”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “will”, “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative of these terms or comparable terminology. By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. A variety of material factors include, among

others: the Arrangement Agreement being terminated in certain circumstances; certain conditions precedent to the Arrangement not being satisfied; PUF incurring certain costs, even if the Arrangement is not completed; and failure to complete the Arrangement, could negatively impact the market price of PUF Shares and future business and financial results; a “market overhang” could adversely affect the market price of the Company after completion of the Arrangement; the integration of Weed Points and PUF may not occur as planned; Weed Points and PUF being exposed to certain risks associated with the cannabis industry; as well as those risks described under *Risk Factors* in this Circular, the risks relating to the Company in its interim and annual consolidated financial statements and management’s discussion and analysis of those statements, all of which are filed and available for review on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company provides no assurances that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company does not intend, and do not assume any obligation, to update any forward-looking statements, other than as required by applicable law. Accordingly, readers should not place undue reliance on forward-looking statements.

GLOSSARY OF TERMS

The following is a glossary of general terms and abbreviations used in this Circular:

“**AAA Heidelberg**” means AAA Heidelberg Inc., a majority-owned subsidiary of the Company located in Ontario;

“**ACMPR**” means Access to Cannabis for Medical Purposes Regulations, which Health Canada regulation was in effect as of August 24, 2016 pursuant to the Controlled Drugs and Substances Act, replacing the former Marihuana for Medical Purposes Regulations (MMPR);

“**affiliate**” has the meaning ascribed thereto in National Instrument 45-106 *Prospectus and Registration Exemptions* of the Canadian Securities Administrators;

“**Arrangement**” means the arrangement of the Company under the Arrangement Provisions pursuant to which the Company proposes to reorganize its business and assets, and which is set out in detail in the Plan of Arrangement;

“**Arrangement Agreement**” means the agreement dated effective September 7, 2017, as amended October 11, 2017, between the Company and Vapetronix Holdings Inc. (now, Weed Points), including all schedules annexed thereto, a copy of which is attached as **Appendix B** to this Circular, and any amendment(s) or variation(s) thereto;

“**Arrangement Provisions**” means Part 9, Division 5 of the BCBCA;

“**Arrangement Resolution**” means the special resolution to be considered by the PUF Shareholders at the Meeting to approve the Arrangement, the full text of which is set out in **Appendix A** to this Circular;

“**Assets**” means the WeedBeacon proprietary information, current app developments, databases, graphics, brochures and other marketing materials of the Company;

“**B2B**” means business-to-business commercial transactions;

“**B2C**” means business-to-consumer transactions;

“**BCBCA**” means the *Business Corporations Act* (British Columbia), S.B.C. 2002, c. 57, as may be amended or replaced from time to time;

“**Beneficial Shareholder**” means a PUF Shareholder who is not a Registered Shareholder;

“**Board**” means the board of directors of the Company;

“**Business Day**” means a day that is not a Saturday, Sunday or statutory holiday in Vancouver, British Columbia;

“**BCA**” means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as may be amended or replaced from time to time;

“**Circular**” means this management information circular, including the Notice of Meeting and all appendices attached hereto and all documents incorporated by reference herein, and all amendments hereof and supplements hereto;

“**Company**” or “**PUF**” means PUF Ventures Inc.;

“**Computershare**” means Computershare Investor Services Inc., the registrar and transfer agent of the Company;

“**Court**” means the Supreme Court of British Columbia;

“**CSE**” or “**Exchange**” means the Canadian Securities Exchange;

“**Dissent Rights**” means the rights of dissent exercisable by the PUF Shareholders in respect of the Arrangement described in Article 4 of the Plan of Arrangement and under *Rights of Dissent* and the dissent procedures attached as **Appendix D** to this Circular;

“**Dissenting Shareholder**” means a PUF Shareholder who has duly and validly exercised Dissent Rights in respect of the Arrangement Resolution in strict compliance with the Dissent Rights and who has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights, and who will be entitled to be paid fair value for his, her or its PUF Shares in accordance with the Interim Order and the Plan of Arrangement;

“**Dissenting Shares**” means the PUF Shares in respect of which Dissenting Shareholders have exercised a right of dissent;

“**Effective Date**” means the date upon which all of the conditions to the completion of the Arrangement as set out in Article 6 of the Arrangement Agreement have been satisfied or waived in accordance with the Arrangement Agreement and the Final Order and all documents agreed to be delivered thereunder have been delivered;

“**Effective Time**” means 12:01 a.m. on the Effective Date that the Arrangement becomes effective, as set out in the Plan of Arrangement;

“**Exchange Ratio**” means a PUF Shareholder will be entitled to receive one (1) Weed Points Share in exchange for every seven (7) PUF Shares held as at the Record Date; assuming that at the Share Distribution Record Date there are 49,239,958 PUF Shares issued and outstanding, Weed Points will issue approximately 7,034,279 Weed Points Shares to the PUF Shareholders;

“**Final Order**” means the final order of the Court approving the Arrangement;

“**Health Canada**” means the department of the government of Canada with responsibility for national public health and the regulatory body in Canada that administers the ACMPR in (i) licensing and overseeing the commercial industry; and (ii) registering individuals to produce a limited amount of cannabis for their own medical purposes (or to have another individual produce it for them);

“**Interim Order**” means the interim order of the Court dated October 25, 2017 pursuant to the BCBCA, providing for, among other things, the calling and holding of the Meeting, as the same may be amended by the Court with the consent of PUF acting reasonably, a copy of which is attached to this Circular as **Appendix C**;

“**Intermediaries**” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders;

“**Meeting**” means the annual general and special meeting of the PUF Shareholders to be held on Friday, November 24, 2017, including any adjournment or postponement thereof;

“**MMPR**” means Marihuana for Medical Purposes Regulations, which was repealed on August 24, 2016 under the Controlled Drugs and Substances Act and replaced by the ACMPR;

“**Natures Hemp**” means Natures Hemp Corp., a federal corporation that is 100% wholly-owned by the Company;

“**Notice of Meeting**” means the notice of annual general and special meeting of the PUF Shareholders accompanying this Circular;

“**Plan of Arrangement**” means the plan of arrangement attached as Schedule A to the Arrangement Agreement, which Arrangement Agreement is attached as **Appendix B** to this Circular, and any amendment(s) or variation(s) thereto;

“**Proxy**” means the form of proxy accompanying this Circular;

“**PUF Options**” means the outstanding stock options, whether or not vested, to acquire PUF Shares;

“**PUF Shareholder**” means a holder of PUF Shares;

“**PUF Shares**” means the common shares without par value in the authorized share structure of the Company;

“**PUF Warrants**” means common share purchase warrants of PUF that are outstanding on the Effective Date;

“**Record Date**” means October 4, 2017 as the date for determination of PUF Shareholders entitled to receive notice of and to vote at the Meeting;

“**Registered Shareholder**” means a registered holder of PUF Shares as recorded in the shareholder register of the Company maintained by Computershare;

“**Registrar**” means the Registrar of Companies for the Province of British Columbia duly appointed under the BCBCA;

“**Regulation S**” means Regulation S promulgated under the U.S. Securities Act;

“**Regulatory Approvals**” means those sanctions, rulings, consents, orders, exemptions, permits and other approvals (including the waiver or lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of governmental entities;

“**Rule 144**” means Rule 144 promulgated under the U.S. Securities Act;

“**SEC**” means the United States Securities and Exchange Commission;

“**Securities Act**” means the *Securities Act* (British Columbia) and the rules, regulations and published policies made thereunder, as now in effect and as they may be promulgated or amended from time to time;

“**Securities Laws**” means the Securities Act, together with all other applicable Canadian provincial securities laws, the U.S. Securities Act, U.S. Exchange Act, and applicable securities laws of the United States and the states thereof, and the rules and regulations and published policies of the securities authorities thereunder, as now in effect and as they may be promulgated or amended from time to time, and includes the rules and policies of the Exchange;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators described in National Instrument 13-101 of the Canadian Securities Administrators and available for public view at www.sedar.com;

“**Share Distribution Record Date**” means the Record Date or such other day as agreed to by the Company, which date establishes the PUF Shareholders who will be entitled to receive the Weed Points Shares pursuant to the Plan of Arrangement;

“**subsidiary**” has the meaning ascribed thereto in National Instrument 45-106 *Prospectus and Registration Exemptions* of the Canadian Securities Administrators;

“**Tax Act**” means the *Income Tax Act* (Canada), R.S.C. 1995, c. 1, and the regulations made thereunder, as now in effect and as they may be amended or replaced from time to time;

“**U.S. Exchange Act**” means the *United States Securities Exchange Act of 1934*, as may be amended or replaced from time to time;

“**U.S. Securities Act**” means the *United States Securities Act of 1933*, as may be amended or replaced from time to time;

“**U.S. Tax Code**” means the United States *Internal Revenue Code of 1986*, as amended;

“**WeedBeacon**” means a development stage medicinal marijuana mobile application tracking technology that synchronizes a vaporizer device to a smart phone, which will track a variety of metrics for patients and physicians such as cannabis usage data, the efficacy of certain strains, side effects, as well as several other features;

“**Weed Points**” means Weed Points Loyalty Inc. dba TechOneSixty (formerly Vapetronix Holdings Inc.), a private company continued from the federal jurisdiction of Canada to the Province of British Columbia under the BCBCA;

“**Weed Points Shareholder**” means a holder of Weed Points Shares; and

“**Weed Points Shares**” means the common shares without par value in the authorized share structure of Weed Points.

SUMMARY OF INFORMATION CIRCULAR

This summary is qualified in its entirety by the more detailed information appearing elsewhere in this Circular, and the Arrangement Agreement and Plan of Arrangement attached as **Appendix B** to this Circular.

References in this Circular are to Canadian dollars unless otherwise indicated.

The Meeting

The Meeting will be held at the Company’s registered and records office at Suite 804 – 750 West Pender Street, Vancouver, British Columbia, V6C 2T7, at 11:00 a.m. (Vancouver Time) on Friday, November 24, 2017.

At the Meeting, PUF Shareholders will be asked to consider, and if deemed advisable, approve certain annual general matters as well as the Arrangement Resolution authorizing the Arrangement, and to consider such other matters as may properly come before the Meeting. The Arrangement will consist of the distribution of Weed Points Shares to the PUF Shareholders.

By passing the Arrangement Resolution, the PUF Shareholders will also be giving authority to the Board to use its best judgment to proceed with and cause the Company to complete the Arrangement without any requirement to seek or obtain any further approval of the PUF Shareholders.

The Arrangement

The Company is an advanced Stage 5 ACMPR license applicant listed on the CSE under the symbol, PUF, on the Frankfurt Exchange under the symbol, PU3, and on the OTC PK under the symbol, PUFXF. The Company is also a reporting issuer in the provinces of British Columbia, Alberta and Ontario. The Company has recently been upgraded from position 14 to 8 with respect to its ACMPR application for majority owned AAA Heidelberg and to become a vertically integrated medical cannabis producer in Canada. For further details, see *Information Concerning the Company – Business and History of the Company*.

On September 7, 2017, the Company and Weed Points, a private company that continued from the federal jurisdiction of Canada to the province of British Columbia, entered into the Arrangement Agreement. The purpose of the Arrangement is to allow the Company to divest itself of the Assets to Weed Points, enabling the Company to focus on medical marijuana with a particular emphasis to growing cannabis for its joint venture partnership with

Canopy Growth Corp. (“**Canopy Growth**”). The Board is of the view that the Arrangement will benefit the Company and the PUF Shareholders based on the information described herein.

The Arrangement will include the transfer of the Assets to Weed Points. The Arrangement will be subject to Court approval, as well as approval by the PUF Shareholders at the Meeting. Pursuant to the Arrangement, PUF will distribute 100% of the Weed Points Shares it receives to the PUF Shareholders on a *pro rata* basis. The PUF Shareholders will be entitled to receive one Weed Points Share in exchange for every seven (7) PUF Shares held as at the Record Date. There will be no change in shareholders’ holdings in PUF as a result of the Arrangement. No outstanding PUF Warrants or PUF Options will be transferred over to Weed Points.

Following completion of the Arrangement, (i) Weed Points will hold the Assets transferred to it by PUF, (ii) Weed Points will become a reporting issuer in the Provinces of British Columbia, Alberta and Ontario (provided that at least one of the parties to the Arrangement has been a “reporting issuer”, as that term is defined in the *Securities Act* (Ontario) for at least 12 months prior to the Effective Date), and intends to apply for and meet the listing requirements on a Canadian stock exchange, (iii) each PUF Shareholder will continue to be a shareholder of the Company, (iv) all PUF Shareholders as at the Record Date will have become shareholders of Weed Points, and (v) the Company will retain its working capital for its Assets, and remain listed on the Exchange and continue to trade under the trading symbol, PUF, as a consumer products – biotechnology/ pharmaceuticals company. **There can be no guarantee that the Weed Points Shares will be listed on any stock exchange.**

On September 7, 2017, the Board approved the Arrangement and authorized the making of an application to the Court for the calling of the Meeting. The Company believes that the Arrangement offers a number of benefits to shareholders, a few of which are set out below:

- (i) The Company and Weed Points will serve different markets and are subject to different competitive forces and will require diverse short-term and long-term strategies. The separation into two independent companies, each with its own board of directors, will provide management of each company with a sharper business focus. This will permit both companies to pursue independent business strategies best suited to their business plans, and allow them to pursue opportunities in their respective markets.
- (ii) By vesting its interests in the Assets into a subsidiary company which will become a separate reporting entity, the Company will be better able to pursue different specific operating strategies directly on its own and through its subsidiaries, and indirectly through its holding in the former subsidiary without being subject to the financial constraints of competing interests.
- (iii) After the separation, each company will also have the flexibility to implement its own unique growth strategies, allowing both organizations to refine and refocus their business mix.
- (iv) Additionally, because the resulting business of Weed Points will be focused on its own separate industry, it will be more readily understood by public investors, allowing Weed Points to be in a better position to raise capital and align management and employee incentives with the interests of shareholders.
- (v) PUF Shareholders will have a direct equity interest in Weed Points and will be able to participate in any potential growth of Weed Points.

Pursuant to the Arrangement, the Company will transfer the Assets to Weed Points in exchange for one (1) Weed Points Share for every seven (7) PUF Shares held as at the Record Date.

Each PUF Shareholder as of the Share Distribution Record Date, other than a Dissenting Shareholder, will, immediately after the Arrangement, hold a *pro rata* share of the Weed Points Shares to be distributed under the Arrangement in exchange for every seven (7) currently held PUF Shares. The Weed Points Shares will be identical in every respect to the present PUF Shares. See *The Arrangement – Steps of the Arrangement*.

Recommendation and Approval of the Board of Directors

The Board has concluded that the terms of the Arrangement are fair and reasonable to, and in the best interests of, the Company and the PUF Shareholders. The Board has therefore approved the Arrangement

and authorized the submission of the Arrangement to the PUF Shareholders and the Court for approval. The Board recommends that PUF Shareholders vote FOR the approval of the Arrangement.

The Arrangement must be approved by two-thirds of the votes cast at the Meeting by PUF Shareholders and by the Court which, the Company is advised, will consider, among other things, the fairness of the Arrangement to PUF Shareholders.

There is the availability of Dissent Rights to Registered Shareholders with respect to the Arrangement.

Reason for the Arrangement

The decision to proceed with the Arrangement was based on, among other things, the following primary determinations:

1. Since incorporation, the Company's primary focus has been the acquisition, exploration and development of resource projects in Canada. On June 5, 2017, the Company announced that it had sold its Lac Saint Simon Property to Volt Energy Corp. pursuant to a mineral property acquisition agreement. The Company changed its industry classification from junior natural resource – mining to consumer products – biotechnology/pharmaceuticals and is now focused on moving into the biomedical cannabis sector, now with a majority interest in AAA Heidelberg, a private Ontario company, which is in Stage 5 of 7 in its application for an ACMPR license from Health Canada. The Company's goal is to become the next publicly traded Canadian company to be granted a new medical marijuana production license. On May 12, 2015, the Company acquired 100% of Weed Points, which owns the exclusive rights to the "1313" electronic cigarette brand, a medicinal marijuana mobile application technology, and several research and development projects. Weed Points also endeavors to serve as the first loyalty program that targets the emerging cannabis markets penetrating both the B2B and B2C marketplaces. The Company determined that it would be in the best interests of the Company for Weed Points to be spun out pursuant to the Arrangement so that Weed Points would focus on the development of WeedBeacon (see *Glossary of Terms*), as well as focusing on its loyalty program, and for the Company to focus on (i) medical marijuana with a particular emphasis to growing cannabis for its joint venture partnership with Canopy Growth, and (ii) expanding its "1313" brand of e-cigarettes, marijuana Vape delivery devices and associated products, and to proceed with the Arrangement. The transfer of the Assets to Weed Points will facilitate separate corporate development strategies for the Company moving forward and at the same time enable the Company's shareholders to retain their interest in the Assets moving forward. For further details, see *Information Concerning the Company* and *Information Concerning Weed Points*.
2. Following the Arrangement, management of the Company is expected to consist of a strong executive team with significant experience, knowledge and connections in the medical marijuana industry, and management of Weed Points will be free to focus on developing the Assets and its loyalty program.
3. The distribution of Weed Points Shares to the PUF Shareholders pursuant to the Arrangement will give the PUF Shareholders a direct interest in a new company that will focus on and pursue the development of the Assets as well as the loyalty program.
4. As a separate company focusing on growing cannabis for its joint venture partnership with Canopy Growth, and expanding its "1313" brand of e-cigarettes, marijuana Vape delivery devices and associated products, the Company will have direct access to broader public and private capital markets and will be able to issue debt and equity to fund its joint venture projects and to finance the acquisition and development of any new technology the Company may acquire on a priority basis.
5. As a separate company, Weed Points will have direct access to public and private capital markets and will be able to issue debt and equity to fund improvements and development of the Assets and its loyalty program and to finance the acquisition and development of any new projects that Weed Points may acquire on a priority basis.
6. As a separate company, Weed Points will be able to establish equity-based compensation programs to enable it to better attract, motivate and retain directors, officers and key employees, thereby better aligning management and employee incentives with the interests of shareholders.

See *The Arrangement – Reasons for the Arrangement*.

Conduct of Meeting and Shareholder Approval

The Interim Order provides that in order for the Arrangement to proceed, the Arrangement Resolution must be passed, with or without variation, by at least two-thirds (2/3) of the eligible votes cast with respect to the Arrangement Resolution by PUF Shareholders present in person or by proxy at the Meeting. See *The Arrangement – Approval of Special Resolution*.

Court Approval

The Arrangement, as structured, requires the approval of the Court. Prior to the mailing of this Circular, the Company obtained the Interim Order authorizing the calling and holding of the Meeting and providing for certain other procedural matters. The Interim Order does not constitute approval of the Arrangement or the contents of this Circular by the Court.

The Notice of Hearing of Petition is attached as **Appendix E** to this Circular. Following shareholder approval to the Arrangement, in hearing the petition for the Final Order, the Court will consider, among other things, the fairness of the Arrangement to the PUF Shareholders. Assuming approval of the Arrangement by the PUF Shareholders at the Meeting, the hearing for the Final Order is scheduled to take place at 9:45 a.m. (Vancouver time) on or after Thursday, November 30, 2017 at the Courthouse located at 800 Smithe Street, Vancouver, British Columbia, or at such other date and time as the Court may direct. At this hearing, any PUF Shareholder or director, creditor, auditor or other interested party of the Company who wishes to participate or to be represented or who wishes to present evidence or argument may do so, subject to filing an appearance and satisfying certain other requirements. See *Court Approval of the Arrangement*.

Income Tax Considerations

Canadian federal income tax considerations for PUF Shareholders who participate in the Arrangement or who dissent from the Arrangement are set out in the summary under *Income Tax Considerations – Certain Canadian Federal Income Tax Considerations*, and certain United States Federal income tax considerations for PUF Shareholders who participate in the Arrangement or who dissent from the Arrangement are set out in the summary under *Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada*.

PUF Shareholders should carefully review the tax considerations applicable to them under the Arrangement and are urged to consult their own legal, tax and financial advisors in regard to their particular circumstances. The Company cannot and does not provide tax advice.

Right to Dissent

PUF Shareholders will have the right to dissent from the Plan of Arrangement as provided in the Interim Order, the Plan of Arrangement and sections 237 to 247 of the BCBCA. Any PUF Shareholder who dissents will be entitled to be paid in cash the fair value for their PUF Shares held so long as such Dissenting Shareholder: (i) does not vote any of his, her or its PUF Shares in favour of the Arrangement Resolution, (ii) provides to the Company written objection to the Plan of Arrangement to the Company's head office at Suite 804 - 750 West Pender Street, Vancouver, British Columbia, V6C 2T7, at least two Business Days before the Meeting or any postponement(s) or adjournment(s) thereof, and (iii) otherwise complies with the requirements of the Plan of Arrangement and sections 237 to 247 of the BCBCA. See *Rights of Dissent – Dissenters' Rights* and Dissent Procedures set out in **Appendix D** to this Circular.

Investment Considerations

Investments in development stage companies such as the Company and Weed Points are highly speculative and subject to numerous and substantial risks that should be considered in relation to the Arrangement. There is no public market for the Weed Points Shares and there can be no assurance that there will be a public market for the Weed Points Shares after the Effective Date. See *Information Concerning Weed Points – Risk Factors*.

Failure to Complete Arrangement

IN THE EVENT THE ARRANGEMENT RESOLUTION IS NOT PASSED BY PUF SHAREHOLDERS, THE COURT DOES NOT APPROVE THE ARRANGEMENT OR THE ARRANGEMENT DOES NOT PROCEED FOR SOME OTHER REASON, THE COMPANY WILL CARRY ON BUSINESS AS IT IS CURRENTLY CARRYING ON. IN SUCH CIRCUMSTANCES, WEED POINTS WILL LIKELY REMAIN A PRIVATE COMPANY.

Information Concerning the Company After the Arrangement

Following completion of the Arrangement, the Company will continue to carry on its primary business activities and remain listed on the Exchange and continue to trade under the trading symbol, PUF. Each PUF Shareholder will continue to be a shareholder of the Company, and following the Effective Date will receive its *pro rata* share of the Weed Points Shares to be distributed to such PUF Shareholders under the Arrangement.

Following completion of the Arrangement, the directors that are elected at the Meeting and the current officers will continue to be the directors and officers of the Company.

Information Concerning Weed Points After the Arrangement

Following completion of the Arrangement, (i) Weed Points will hold the Assets transferred to it by PUF, (ii) Weed Points will become a reporting issuer in the Provinces of British Columbia, Alberta and Ontario (provided that at least one of the parties to the Arrangement has been a “reporting issuer”, as that term is defined in the *Securities Act* (Ontario) for at least 12 months prior to the Effective Date), (iii) the Weed Points Shareholders will be the holders of PUF Shares on the Share Distribution Record Date, and (iv) Weed Points intends to apply for and meet the listing requirements on a Canadian stock exchange. **There can be no guarantee that the Weed Points Shares will be listed on any stock exchange.**

Following completion of the Arrangement, the current directors and officers of Weed Points will continue to be the directors and officers of Weed Points. See *Information Concerning Weed Points After the Arrangement*.

Risk Factors

In considering whether to vote for the approval of the Arrangement, PUF Shareholders should be aware that there are various risks, including those described in this Circular. PUF Shareholders should carefully consider these risk factors, together with other information included in this Circular, before deciding whether to approve the Arrangement.

GENERAL PROXY INFORMATION

Solicitation of Proxies

This Circular is provided in connection with the solicitation of proxies by the management of the Company for use at the Meeting for the purposes set out in the accompanying Notice of Meeting and at any adjournment thereof.

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors or officers of the Company. The Company will bear all costs of this solicitation. The Company has arranged for Intermediaries to forward the Meeting Materials, as defined below, to Beneficial Shareholders held of record by those Intermediaries and the Company will not reimburse the Intermediaries for their fees and disbursements in that regard.

Record Date

The Board has fixed October 4, 2017 as the Record Date for determination of persons entitled to receive notice of and to vote at the Meeting. Only PUF Shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described herein will be entitled to vote or to have their PUF Shares voted at the Meeting.

Appointment of Proxyholders

The purpose of a proxy is to designate persons who will vote the proxy on behalf of a shareholder of the Company in accordance with the instructions given by the shareholder in the proxy. The persons whose names are printed in the enclosed form of proxy are officers or directors of the Company.

The individual(s) named in the accompanying form of proxy are management's representatives. **If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than the person(s) designated in the Proxy, who need not be a shareholder of the Company, to attend and act for you and on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another proper proxy and, in either case, delivering the completed Proxy to the office of Computershare Investor Services Inc., Proxy Department, 100 University Avenue, Toronto, Ontario M5J 2Y1 or vote via telephone or internet (online) as specified in the proxy form, no later than 11:00 a.m. on Wednesday, December 28, 2016, unless the chair elects to exercise his discretion to accept proxies received subsequently.**

Voting by Proxyholder

The person(s) named in the Proxy will vote or withhold from voting the PUF Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your PUF Shares will be voted accordingly. The Proxy confers discretionary authority on the person(s) named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors;
- (b) any amendment to or variation of any matter identified therein; and
- (c) any other matter that properly comes before the Meeting.

As at the date hereof, the Board knows of no such amendments, variations or other matters to come before the Meeting, other than the matters referred to in the Notice of Meeting. However, if other matters should properly come before the Meeting, the Proxy will be voted on such matters in accordance with the best judgment of the person(s) voting the Proxy.

Who Can Vote at the Meeting

If a PUF Shareholder does not specify a choice and the PUF Shareholder has appointed one of the management proxyholders as proxyholder, the management proxyholder will vote in favour of the matters specified in the Notice of Meeting and in favour of all other matters proposed by management at the Meeting.

In respect of a matter for which a choice is not specified in the Proxy, the person(s) named in the Proxy will vote the PUF Shares represented by the Proxy for the approval of such matter.

Registered Shareholders

Registered Shareholders may wish to vote by Proxy whether or not they are able to attend the Meeting in person. Registered Shareholders electing to submit a Proxy may do so by completing, dating and signing the enclosed form of Proxy and returning it to Computershare by mail to Proxy Department, 100 University Avenue, Toronto, Ontario, M5J 2Y1, or vote via telephone or internet (online) as specified in the proxy form, no later than 11:00 a.m. on Wednesday, November 22, 2017.

Beneficial Shareholders

The following information is of significant importance to PUF Shareholders who do not hold PUF Shares in their own name. Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by Registered Shareholders (those whose names appear on the records of the Company as the registered holders of PUF Shares). Most shareholders are "non-registered" shareholders because the shares

they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares. Shares beneficially owned by a non-registered shareholder are registered either: (i) in the name of an Intermediary that the non-registered shareholder deals with in respect of their shares (Intermediaries include, among others, banks, trust companies, securities dealers, or brokers and trustees or administrators of self-administered RRSP, RRIFs, RESPs and similar plans); or (ii) in the name of a clearing agency (such as the Canadian Depository for Securities Limited or the Depository Trust & Clearing Corporation) of which the Intermediary is a participant.

If PUF Shares are listed in an account statement provided to a shareholder by a broker, then in almost all such cases those PUF Shares will not be registered in the shareholder's name on the records of the Company. Such PUF Shares will more likely be registered under the names of the shareholder's broker or an agent of that broker. In the United States, the vast majority of such PUF Shares are registered under the name of CDS & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks), and in Canada under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every Intermediary has its own mailing procedures and provides its own return instructions to clients.

If you are a Beneficial Shareholder

There are two kinds of Beneficial Shareholders: those who object to their name being made known to the issuers of securities which they own (called "**OBOs**" for objecting beneficial owners) and those who do not object to their name being made known to the issuers of the securities which they own (called "**NOBOs**" for non-objecting beneficial owners).

The Company is taking advantage of those provisions of National Instrument 54-101 *Communication of Beneficial Owners of Securities* of the Canadian Securities Administrators, which permits it to deliver proxy-related materials directly to its NOBOs. As a result, NOBOs can expect to receive a scannable voting instruction form ("**VIF**"). These VIFs are to be completed and returned to Computershare in the envelope provided or by facsimile to the number provided in the VIF. In addition, Computershare will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the PUF Shares represented by the VIFs it receives.

This Circular, with related material, is being sent to both Registered and Beneficial Shareholders, if applicable. If you are a Beneficial Shareholder and the Company or its agent has sent the Meeting Materials directly to you, your name and address and information about your PUF Shares have been obtained in accordance with applicable securities regulatory requirements from the Intermediary who holds your PUF Shares on your behalf. Please return your VIF as specified in your request for voting instructions that you receive.

Beneficial Shareholders who are OBOs should carefully follow the instructions of their Intermediary in order to ensure that their PUF Shares are voted at the Meeting.

The form of proxy that will be supplied to Beneficial Shareholders by the Intermediaries will be similar to the Proxy provided to Registered Shareholders by the Company. However, its purpose is limited to instructing the Intermediary on how to vote on behalf of the Beneficial Shareholder. Most Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. in the United States and Broadridge Financial Solutions Inc., Canada, in Canada (collectively "**BFS**"). BFS mails a VIF in lieu of a Proxy provided by the Company. The VIF will name the same person(s) as the Proxy to represent Beneficial Shareholders at the Meeting. Beneficial Shareholders have the right to appoint a person (who need not be a Beneficial Shareholder of the Company), other than the person(s) designated in the VIF, to represent them at the Meeting. To exercise this right, Beneficial Shareholders should insert the name of the desired representative in the blank space provided in the VIF. The completed VIF must then be returned to BFS in the manner specified and in accordance with BFS' instructions. BFS then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of PUF Shares to be represented at the Meeting.

If you receive a VIF from BFS, you cannot use it to vote PUF Shares directly at the Meeting. The VIF must be completed and returned to BFS in accordance with its instructions, well in advance of the Meeting in order to have the PUF Shares voted.

Although as a Beneficial Shareholder you may not be recognized directly at the Meeting for the purposes of voting PUF Shares registered in the name of your Intermediary, you, or a person designated by you, may attend at the Meeting as proxy holder for your Intermediary and vote your PUF Shares in that capacity. If you wish to attend the Meeting and indirectly vote your PUF Shares as proxy holder for your Intermediary, or have a person designated by you to do so, you should enter your own name, or the name of the person you wish to designate, in the blank space on the VIF provided to you and return the same to your Intermediary in accordance with the instructions provided by such Intermediary, well in advance of the Meeting.

Alternatively, you can request in writing that your broker send you a legal proxy which would enable you, or a person designated by you, to attend the Meeting and vote your PUF Shares.

With respect to OBOs, in accordance with applicable securities law requirements, the Company will have distributed copies of the Notice of Meeting, Circular, the form of Proxy and the supplemental mailing list (the “**Meeting Materials**”) to request to the clearing agencies and Intermediaries for distribution to non-registered shareholders.

Intermediaries are required to forward the Meeting Materials to non-registered shareholders unless a non-registered shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to non-registered shareholders.

Beneficial Shareholders (non-registered shareholders) should carefully follow the instructions of their Intermediary, including those regarding when and where the Proxy or voting instruction form is to be delivered.

Revocation of Proxies

In addition to revocation in any other manner permitted by law, a Registered Shareholder who has given a proxy may revoke it by:

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the Registered Shareholder or the Registered Shareholder’s authorized attorney in writing, or if the Registered Shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the Proxy bearing a later date to Computershare or at the office of the Company c/o Suite 804 – 750 West Pender Street, Vancouver, British Columbia, V6C 2T7, at any time up to and including the last Business Day that precedes the date of the Meeting or, if the Meeting is adjourned or postponed, the last Business Day that precedes any reconvening thereof, or to the Chair of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law; or
- (b) personally attending the Meeting and voting the Registered Shareholder’s PUF Shares.

A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

No director or executive officer of the Company, or any person who has held such a position since the incorporation of the Company, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person of the Company, proposed director of the Company or any associate or affiliate of an informed person or proposed director, has any material interest, direct or indirect, in any transaction since the incorporation of the Company or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries, other than as disclosed elsewhere in this Circular, except as follows:

Christopher Hornung is a director of the Company and a principal of AAA Heidelberg. Pursuant to a share exchange agreement dated January 26, 2015 among the Company, AA Heidelberg and the shareholders of AAA Heidelberg, on May 8, 2017, the Company issued a total of 500,003 PUF Shares to the shareholders of AAA

Heidelberg at a deemed price of \$0.40 per PUF Share. Mr. Hornung was issued 71,429 PUF Shares and abstained from voting on the approval of the transaction and issuance of those PUF Shares.

Pursuant to a share purchase agreement dated October 11, 2017 between the shareholders of Natures Hemp and the Company, on October 12, 2017, the Company issued a total of 1,200,000 PUF Shares to the shareholders of Natures Hemp at a deemed price of \$0.50 per PUF Share, as follows:

- Derek Ivany is a director and officer of the Company, and director and shareholder of Natures Hemp. Mr. Ivany was issued 276,000 PUF Shares and abstained from voting on the approval of the transaction and issuance of those PUF Shares.
- Christopher Hornung is a director the Company, and an officer of Kenex Manufacturing Limited, which is a shareholder of Natures Hemp. Kenex Manufacturing Limited was issued 231,600 PUF Shares. Mr. Hornung abstained from voting on the approval of the transaction and issuance of those PUF Shares. He is not a party to the transaction.

For further details of the transaction, see *Information Concerning the Company - Business and History of the Company – Natures Hemp Corp.*

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Company is authorized to issue an unlimited number of common shares without par value. As of the Record Date, there were 49,239,958 PUF Shares issued and outstanding, each carrying the right to one vote. No group of shareholders has the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the PUF Shares.

To the knowledge of the directors and executive officers of the Company, no person or corporation beneficially owns, or controls or directs, directly or indirectly, voting securities of the Company carrying 10% or more of the voting rights attached to any class of outstanding voting securities of the Company.

VOTES NECESSARY TO PASS RESOLUTIONS

A simple majority of affirmative votes cast at the Meeting is required to pass the resolution(s) described herein as ordinary resolutions and an affirmative vote of two-thirds (2/3) of the votes cast in person or by proxy at the Meeting is required to pass the resolution(s) described herein as special resolutions. If there are more nominees for election as directors or appointment of the Company's auditor than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled all such nominees will be declared elected or appointed by acclamation.

SETTING NUMBER OF DIRECTORS

The persons named in the enclosed Proxy intend to vote in favour of fixing the number of directors at four (4). The Board proposes that the number of directors be fixed at four (4). Shareholders will therefore be asked to approve an ordinary resolution that the number of directors elected be fixed at four (4).

ELECTION OF DIRECTORS

The term of office of each of the current directors of the Company will end at this Meeting. Unless the director's office is earlier vacated in accordance with the provisions of the BCBCA, each director elected will hold office until the next annual general meeting of the Company, or if no director is then elected, until a successor is elected.

The following table sets out the names of management's nominees for election as directors, all major offices and positions with the Company and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment (for the five preceding years for new director nominees), the period of time

during which each has been a director of the Company and the number of PUF Shares beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at the Record Date.

Name of Nominee; Current Position with the Company, Province/State and Country of Residence	Occupation, Business or Employment⁽¹⁾	Period as a Director of the Company	PUF Shares Beneficially Owned or Controlled⁽¹⁾
Derek Ivany⁽²⁾ Ontario, Canada <i>President, CEO and Director</i>	Self-employed management consultant. Former director of Star Uranium Corp. (formerly Navis Resources Corp.) and Hi Ho Silver Resources Inc.	April 19, 2016	2,017,000 ⁽³⁾
Christopher Hornung⁽²⁾ Ontario, Canada <i>Director</i>	Self-employed management consultant; Vice President, Kenex Manufacturing Co. since 1999; principal of AAA Heidelberg.	February 6, 2014	384,500
Jerry Habuda Ontario, Canada <i>Director</i>	Retired. Former police officer with the Toronto Police Department working in the Major Crimes Unit, Northwest Drug Squad and Bail Compliance Unit; also former head of the Street Violence Task Force, 1977 to 2012.	May 6, 2016	415,000
Joseph Perino⁽²⁾ Ontario, Canada <i>Director</i>	Retired. Former constable and Detective Sergeant with the Toronto Police Service, working in the Primary Response Unit, Criminal Investigation Bureau, Major Crimes Unit and Drug Investigator, 1976 to 2006.	September 23, 2016	240,000

- (1) The information as to principal occupation, business or employment and PUF Shares beneficially owned or controlled is not within the knowledge of the management of the Company and has been furnished by the respective nominees. Unless otherwise indicated, each nominee has held the same or a similar principal occupation with the organization indicated or a predecessor thereof for the last five years. The number of PUF Shares beneficially owned by the above nominees for directors, directly or indirectly, is based on information furnished by the nominees themselves.
- (2) Member of Audit Committee of the Company.
- (3) Of these PUF Shares, 1,432,000 PUF Shares are held directly by Mr. Ivany, 560,000 PUF Shares are held by Elben Capital Corp., a company owned by Mr. Ivany, and 25,000 PUF Shares are held by Steve Ivany, brother of Mr. Ivany.

CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES

Except as disclosed above, none of the proposed directors of the Company (or any of their personal holding companies):

- (a) is, as at the date of this Circular or, has been within ten years before the date of this Circular, a director, CEO or CFO of any company, including the Company, that:
- (i) was subject to an order that was issued while the proposed director was acting in the capacity as director, CEO or CFO; or
 - (ii) was subject to an order that was issued after the proposed director ceased to be a director, CEO or CFO and which resulted from an event that occurred while the proposed director was acting in the capacity as director, CEO or CFO;
- (b) is, as at the date of this Circular or has been within ten years before the date of this Circular, a director or executive officer, of any company, including the Company, that while the proposed director was acting in that capacity or within a year of the proposed director 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

- (c) has, within the ten years preceding the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been 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 that proposed individual.

Within the last ten years, none of the proposed directors of the Company (or any of their personal holding companies) has been subject to:

- (a) 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
- (b) any other penalties or sanctions imposed by a court or regulatory body which would likely be considered important to a reasonable securityholder of the Company in deciding whether to vote for a proposed director.

Christopher Hornung, a director of the Company, was an officer of two private companies, Elmira Wood Products Inc. and Westwood Garage Doors Inc., which declared bankruptcy in March 2008 and March 2012, respectively.

Christopher P. Cherry, the CFO of the Company, was a former director and officer of Lexagene Holdings Inc. (formerly Wolfeye Resource Corp.) (“**Lexagene**”). On August 7, 2013, the British Columbia Securities Commission (the “**BCSC**”) and the Alberta Securities Commission (the “**Commissions**”) issued a cease trade order (the “**CTO**”) against Lexagene, its directors, officers and insiders for failure of Lexagene to file its audited financial statements and management’s discussion & analysis and related certifications for the year ended March 31, 2013 (collectively, the “**Financial Materials**”). On August 8, 2013, trading in Lexagene’s common shares was suspended by the TSX Venture Exchange (“**TSXV**”) for failure to file the Financial Materials. Lexagene filed the Financial Materials with the Commissions and the CTO was lifted by the Commissions on September 26, 2013. Lexagene applied to the TSXV to lift the trading suspension and, after satisfying all of the conditions of the TSXV, the suspension was lifted and trading in Lexagene’s common shares recommenced on October 30, 2013.

Mr. Cherry is currently the CFO of Mexivada Mining Corp. (“**Mexivada**”). On October 29, 2010, at the request of management of Mexivada, the BCSC issued a CTO against the insiders of Mexivada for not filing comparative financial statements for its financial year ended June 30, 2010 and the related management’s discussion and analysis for the same period. The CTO was rescinded on November 30, 2010 and is no longer in effect. On October 31, 2011, at the request of management, the BCSC issued a CTO against the insiders of Mexivada for not filing comparative financial statements for its financial year ended June 30, 2011 and the related management’s discussion and analysis for the same period. The CTO was rescinded on November 24, 2011 and is no longer in effect. On October 31, 2012, at the request of management, the BCSC issued a CTO against the insiders of Mexivada for not filing comparative financial statements for its financial year ended June 30, 2012 and the related management’s discussion and analysis for the same period. The cease trade order is still in effect.

Mr. Cherry was a former director and officer of 1040426 BC Ltd., 1040433 BC Ltd., 1040440 BC Ltd., 1040442 BC Ltd. and Genix Pharmaceutical Corp., companies that are reporting issuers in the provinces of British Columbia and Alberta. On December 2, 2016, the BCSC issued a CTO against these companies, their directors, officers and insiders for failure to file audited financial statements and management’s discussion & analysis and related certifications for the year ended July 31, 2016. The BCSC also issued deficiency notices to each of 1040440 BC Ltd. and Genix Pharmaceutical Corp. for failure to file first quarter financial statements and management’s discussion & analysis for the period ended October 31, 2016. On May 23, 2017, the BCSC issued revocation orders for each of 1040426 BC Ltd., 1040433 BC Ltd. and 1040442 BC Ltd. and the CTOs were lifted. On September 20, 2017, the BCSC issued a revocation order for 1040440 BC Ltd. and the CTO was lifted. The CTO remains in effect for Genix Pharmaceutical Corp.

APPOINTMENT OF AUDITOR

Dale Matheson Carr-Hilton Labonte, Chartered Accountants, of Suite 1500, 1140 West Pender Street, Vancouver, British Columbia, V6E 4G1, will be nominated at the Meeting for re-appointment as auditor of the Company at a remuneration to be fixed by the Board. Dale Matheson Carr-Hilton Labonte, Chartered Accountants, was first appointed the auditor of the Company on January 19, 2016.

AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

National Instrument 52-110 *Audit Committees* of the Canadian Securities Administrators (“**NI 52-110**”) requires the Company, as a venture issuer, to disclose annually in its Circular certain information concerning the constitution of its (“**Audit Committee**”) and its relationship with its independent auditor, as set forth in the following:

The Audit Committee’s Charter

The Audit Committee has a charter. A copy of the Audit Committee charter is attached hereto as **Appendix F**.

Composition of the Audit Committee

The current members of the Audit Committee are Derek Ivany (Chair), Christopher Hornung and Joseph Perino. Derek Ivany is an executive officer of the Company and is not considered to be independent. Christopher Hornung and Joseph Perino are not executive officers of the Company and, therefore, are independent members of the Audit Committee. All members are considered to be financially literate.

A member of the Audit Committee is independent if the member has no direct or indirect material relationship with the Company. A material relationship means a relationship which could, in the view of the Company’s Board, reasonably interfere with the exercise of a member’s independent judgement.

A member of the Audit Committee is considered financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company.

Relevant Education and Experience

The following describes the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as an Audit Committee member:

Derek Ivany brings a wealth of experience in the small cap markets and has industry relationships in Ontario with various groups in the nascent medical marijuana sector. Mr. Ivany has worked with various public companies in the capacity of officer, director and business development consultant over the past 10 years and has been involved in financing mandates in excess of \$100,000,000. Mr. Ivany plans to leverage his experience and network as the Company repositions itself as a hopeful AMPR licensee and, in the meantime, continues to build out its related offerings.

Christopher Hornung is Vice President of Kenex Manufacturing Co., of Brampton, Ontario and has been since 1999. During his time with the company, he has co-founded and built several new divisions including Kenex Coatings in Mississauga, Ontario, the premier service provider in finishing technology. Mr. Hornung is also a principal of AAA Heidelberg, and is a partner in and responsible for several real estate holding companies in Ontario.

Joseph Perino has served as a member of the Toronto Police Service since 1976. Mr. Perino started his career as a uniform constable who performed various patrol duties. In 2001, Mr. Perino was promoted to Detective Sergeant. During his time as a member of the Toronto Police Service, Mr. Perino worked in several different investigative areas including the Primary Response Unit, Criminal Investigation Bureau, Major Crimes Unit and as drug investigator. Mr. Perino attained the status of expert witness due and was awarded the Exemplary Service Medal, and is the recipient of several awards from within the Toronto Police Service and from several community organizations.

Additionally, Mr. Perino obtained his degree from the University of Guelph. In 2006, he was hired as a Professor with the School of Community and Health Studies at Centennial College. Mr. Perino has also received several academic awards while a faculty member. Mr. Perino is now retired.

Each member of the Company’s present and proposed Audit Committee has adequate education and experience that is relevant to their performance as an Audit Committee member and, in particular, the requisite education and experience that have provided the member with:

- (a) an understanding of the accounting principles used by the Company to prepare its financial statements and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;
- (b) 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 individuals engaged in such activities; and
- (c) an understanding of internal controls and procedures for financial reporting.

Audit Committee Oversight

The Audit Committee has not made any recommendations to the Board to nominate or compensate any external auditor.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*) or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110. Part 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees

The Audit Committee has reviewed the nature and amount of the non-audited services provided by Dale Matheson Carr-Hilton, Chartered Accountants, to the Company to ensure auditor independence. The following table outlines the fees incurred by Dale Matheson Carr-Hilton, Chartered Accountants, who were appointed auditors of the Company on January 19, 2016 for audit and non-audit services in the last two financial years:

Nature of Services	Fees Paid to Auditor in Financial Year Ended December 31, 2016	Fees Paid to Auditor in Financial Year Ended December 31, 2015
Audit Fees ⁽¹⁾	\$25,000	\$28,000
Audit-Related Fees ⁽²⁾	Nil	Nil
Tax Fees ⁽³⁾	5,500	Nil
All Other Fees ⁽⁴⁾	Nil	Nil
Total:	\$30,500	\$28,000

(1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Company's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

(4) "All Other Fees" include all other non-audit services.

Exemption

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 *De Minimis Non-audit Services* or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110. Part 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

CORPORATE GOVERNANCE

General

Effective June 30, 2005, National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("**NI 58-101**") and National Policy 58-201 *Corporate Governance Guidelines* ("**NP 58-201**") were adopted in each of the provinces and territories of Canada. NI 58-101 requires issuers to disclose the corporate governance practices that they have adopted. NP 58-201 provides guidance on corporate governance practices.

The Board believes that good corporate governance improves corporate performance and benefits all Shareholders. The Canadian Securities Administrators have adopted NI 58-201, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Company. In addition, the Canadian Securities Administrators have implemented NI 58-101, which prescribes certain disclosure by the Company of its corporate governance practices. This section sets out the Company's approach to corporate governance and addresses the Company's compliance with NI 58-101.

Board of Directors

Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment.

Management has been delegated the responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Company's business in the ordinary course, managing cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The Board facilitates its independent supervision over management by reviewing and approving long-term strategic, business and capital plans, material contracts and business transactions, and all debt and equity financing transactions. Through its Audit Committee, the Board examines the effectiveness of the Company's internal control processes and management information systems. The plenary Board reviews executive compensation and recommends stock option grants.

The independent members of the proposed Board are Christopher Hornung, Jerry Habuda and Joseph Perino.

The non-independent member of the proposed Board is Derek Ivany, the President and CEO of the Company.

There are no directors of the Company that are directors of other reporting issuers.

Orientation and Continuing Education

When new directors are appointed, they receive orientation, commensurate with their previous experience, on the Company's properties, business, technology and industry and on the responsibilities of directors.

Board meetings may also include presentations by the Company's management and employees to give the directors additional insight into the Company's business.

Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Nomination of Directors

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

The Board does not have a nominating committee and these functions are currently performed by the Board as a whole. However, if there is a change in the number of directors required by the Company, this policy will be reviewed.

Compensation

The Board determines compensation for the directors and CEO.

Other Board Committees

The Board has no other committees other than the Audit Committee.

Assessments

The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and committees.

COMPENSATION OF EXECUTIVE OFFICERS

Compensation Discussion and Analysis

The Board has not appointed a compensation committee so the responsibilities relating to executive and director compensation, including reviewing and recommending director compensation, overseeing the Company's base compensation structure and equity-based compensation programs, recommending compensation of the Company's officers and employees, and evaluating the performance of officers generally and in light of annual goals and objectives, is performed by the Board as a whole.

The Board also assumes responsibility for reviewing and monitoring the long-range compensation strategy for the senior management of the Company. The Board receives independent competitive market information on compensation levels for executives.

The compensation for executives includes four components: base consulting fees, bonus (if applicable), stock options and perquisites. As a package, the compensation components are intended to satisfy the objectives of the compensation program (that is, to attract, retain and motivate qualified executives). There are no predefined or standard termination payments, change of control arrangements or employment contracts.

Analysis of Elements

Base salary is used to provide the Named Executive Officers (each, an "NEO") a set amount of money during the year with the expectation that each NEO will perform his responsibilities to the best of his ability and in the best interests of the Company.

The Company considers the granting of incentive stock options to be a significant component of executive compensation as it allows the Company to reward each NEO's efforts to increase value for shareholders without requiring the Company to use cash from its treasury. Stock options are generally awarded to executive officers at the commencement of employment and periodically thereafter. The terms and conditions of the Company's stock option grants, including vesting provisions and exercise prices, are governed by the terms of the Company's stock option plan (the "**Plan**").

Long Term Compensation and Option-Based Awards

The Company has no long-term incentive plans other than its Plan. The Company's directors and officers and certain consultants are entitled to participate in the Plan. The Plan is designed to encourage share ownership and entrepreneurship on the part of the senior management and other employees. The Board believes that the Plan aligns the interests of the NEO and the Board with shareholders by linking a component of executive compensation to the longer term performance of the PUF Shares.

Options are granted by the Board. In monitoring or adjusting the option allotments, the Board takes into account its own observations on individual performance (where possible) and its assessment of individual contribution to shareholder value, previous option grants and the objectives set for the NEOs and the Board. The scale of options is generally commensurate to the appropriate level of base compensation for each level of responsibility.

In addition to determining the number of options to be granted pursuant to the methodology outlined above, the Board also makes the following determinations:

- parties who are entitled to participate in the Plan;
- the exercise price of stock options granted under the Plan will be set by the Board in its sole discretion, provided that such price shall not be less than the greater of the closing market price of the underlying securities on (i) the trading day prior to the date of grant, and (ii) the date of grant of the option;
- the date on which each option is granted;
- the vesting period, if any, for each stock option;
- the other material terms and conditions of each stock option grant; and
- any re-pricing or amendment to a stock option grant.

The Board makes these determinations subject to and in accordance with the provisions of the Plan. The Board reviews and approves grants of options on an annual basis and periodically during a financial year.

Summary Compensation Table

In this section, an NEO includes (i) the CEO, (ii) the CFO, (iii) each of the three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers as at the end of the most recently completed financial year of December 31, 2016, and whose total compensation was more than \$150,000; and (iv) any additional individuals for whom disclosure would have been required except that the individual was not serving as an officer of the Company at the end of the most recently completed financial year.

The following table sets forth compensation paid to the Company's NEOs during the financial years ended December 31, 2016, 2015 and 2014:

Summary Compensation Table

Name and Principal Positions	Year ⁽¹⁾	Salary (\$) ⁽²⁾	Share-based awards (\$)	Option-based awards (\$) ⁽³⁾	Non-equity incentive plan compensation ⁽³⁾ (\$)		Pension value ⁽³⁾ (\$)	All other compensation (\$)	Total compensation (\$) ⁽²⁾
					Annual incentive plans ⁽²⁾	Long-term incentive plans ⁽²⁾			
Derek Ivany ⁽⁴⁾ President & CEO	2016	N/A	N/A	63,598	N/A	N/A	N/A	25,000	88,598
Christopher P. Cherry ⁽⁵⁾ CFO	2016	N/A	N/A	15,900	N/A	N/A	N/A	22,849	38,749
Yari Nieken ⁽⁶⁾ Former President & CEO	2016	Nil	Nil	Nil	N/A	N/A	N/A	N/A	Nil
	2015	Nil	20,377	Nil	N/A	N/A	N/A	N/A	20,377
	2014	84,125	N/A	36,700	N/A	N/A	N/A	N/A	120,825

Name and Principal Positions	Year ⁽¹⁾	Salary (\$) ⁽²⁾	Share-based awards (\$)	Option-based awards (\$) ⁽³⁾	Non-equity incentive plan compensation ⁽³⁾ (\$)		Pension value ⁽³⁾ (\$)	All other compensation (\$)	Total compensation (\$) ⁽²⁾
					Annual incentive plans ⁽²⁾	Long-term incentive plans ⁽²⁾			
Tracey St. Denis ⁽⁷⁾ Former CFO	2016	Nil	Nil	Nil	N/A	N/A	N/A	Nil	Nil
	2015	Nil	8,151	Nil	N/A	N/A	N/A	22,038	30,189
	2014	23,245	N/A	22,050	N/A	N/A	N/A	N/A	45,295

(1) Financial years ended December 31.

(2) All amounts shown were paid in Canadian currency, the reporting currency of the Company.

(3) Figures represent the grant date fair value of the options. For each financial year end, the Company used the Black-Scholes option pricing model for calculating such fair value, as such model is commonly used by junior public companies. For the financial year ended December 31, 2016, assumptions used for such calculations include a risk free interest rate of 0.72% annualized volatility of 195% and a dividend rate of 0%.

(4) Mr. Ivany has served as President and CEO of the Company since April 19, 2016.

(5) Mr. Cherry has served as CFO of the Company since January 19, 2016.

(6) Mr. Nieken served as Interim President of the Company from March 3, 2014 to August 14, 2015, as CEO from March 3, 2014 to April 19, 2016, and as President from August 14, 2015 to April 19, 2016.

(7) Ms. St. Denis served as CFO of the Company from May 2, 2013 to January 19, 2016.

Narrative Description

On April 1, 2014, the Company entered into a management consulting services agreement with Paradigm Shift Consulting, a private business owned by Yari Nieken. Mr. Nieken acted as the Interim President and CEO of the Company between March 2014 and April 2016, as disclosed in footnote (6) above, and as a director of the Company from April 11, 2013 to May 6, 2016. A monthly consulting fee of \$6,500 was payable to Mr. Nieken plus \$200 per day when required to travel from Vancouver, British Columbia. The contract was on a month-to-month basis until such time that the agreement was replaced or as soon as “interim” was removed from the title. The agreement may be cancelled by either party on 30 days’ written notice. On termination of the contract Mr. Nieken will be immediately retained by the Company as a non-paid advisor/consultant to the Company until such time as the consultant still holds unexercised stock options in the Company. Mr. Nieken’s stock options expired 90 days from his ceasing to be a director of the Company.

T. St. Denis, Inc. is a private accounting firm owned by Tracey A. St. Denis. Ms. St. Denis resigned as CFO of the Company on January 19, 2016.

Incentive Plan Awards

Outstanding Option-Based Awards

The Company currently has a 10% “rolling” stock option plan (the “**Plan**”) in place under which a maximum of 4,923,996 Shares are reserved for option grants under the Plan to qualifying persons. As of the Record Date, there were 3,337,500 stock options granted and outstanding under the Plan.

The following table sets out all option-based awards outstanding as at December 31, 2016 for each NEO. There were no share-based awards granted to any of the NEOs:

Option-based Awards				
Name and Principal Positions	Number of securities underlying unexercised options ⁽¹⁾ (#)	Option exercise price (\$) ⁽¹⁾	Option expiration date	Value of unexercised in-the-money options (\$) ⁽²⁾
Derek Ivany ⁽³⁾ President & CEO	400,000	0.235	September 22, 2018	\$2,000
Christopher P. Cherry ⁽⁴⁾ CFO	100,000	0.235	September 22, 2018	\$500
Yari Nieken ⁽⁵⁾ Former President & CEO	62,500	0.40	June 1, 2017	Nil

Option-based Awards				
Name and Principal Positions	Number of securities underlying unexercised options ⁽¹⁾ (#)	Option exercise price (\$) ⁽¹⁾	Option expiration date	Value of unexercised in-the-money options (\$) ⁽²⁾
Tracey St. Denis ⁽⁶⁾ Former CFO	25,000	0.40	June 1, 2017	Nil

- (1) Effective June 28, 2016, the Company completed a share consolidation on the basis of one new PUF Share for every 4 old PUF Shares. This table includes post-consolidated figures.
- (2) This amount is based on the difference between the market value of the securities underlying the options on December 30, 2016, which was \$0.24, being the last trading day of the PUF Shares for the financial year and the exercise price of any outstanding options.
- (3) Mr. Ivany has served as President and CEO of the Company since April 19, 2016.
- (4) Mr. Cherry has served as CFO of the Company since January 19, 2016.
- (5) Mr. Nieken served as Interim President of the Company from March 3, 2014 to August 14, 2015, as CEO from March 3, 2014 to April 19, 2016, and as President from August 14, 2015 to April 19, 2016.
- (6) Ms. St. Denis served as CFO of the Company from May 2, 2013 to January 19, 2016.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out the value vested during the financial year ended December 31, 2016 for options awarded under the Plan for the NEO, as well as the value earned under non-equity incentive plans for the same period.

Name	Option-based awards - Value vested during the year (\$) ⁽¹⁾	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Derek Ivany ⁽²⁾ President & CEO	Nil	N/A	N/A
Christopher P. Cherry ^(3,4) CFO	Nil	N/A	N/A
Yari Nieken ⁽⁴⁾ Former President & CEO	Nil	N/A	N/A
Tracey St. Denis ⁽⁵⁾ Former CFO	Nil	N/A	N/A

- (1) Effective June 28, 2016, the Company completed a share consolidation on the basis of one new PUF Share for every 4 old PUF Shares. This table includes post-consolidated figures.
- (2) Mr. Ivany has served as President and CEO of the Company since April 19, 2016.
- (3) Mr. Cherry has served as CFO of the Company since January 19, 2016.
- (4) Mr. Nieken served as Interim President of the Company from March 3, 2014 to August 14, 2015, as CEO from March 3, 2014 to April 19, 2016, and as President from August 14, 2015 to April 19, 2016.
- (5) Ms. St. Denis served as CFO of the Company from May 2, 2013 to January 19, 2016.

Pension Plan Benefits

The Company does not have any non-cash compensation plans, long-term incentive plans, pension or retirement plans for its officers or directors and it did not pay or distribute any non-cash compensation during the financial year ended December 31, 2016.

Termination and Change of Control Benefits

There are no compensatory plans or arrangements with respect to any NEO resulting from the resignation, retirement or any other termination of employment of the officer's employment or from a change of an NEO's responsibilities following a change in control.

Director Compensation

The Company compensates its directors through option grants. NEOs do not receive additional compensation for serving as directors.

Outstanding Option-Based Awards

The following table sets forth for each director, other than those who are also NEOs of the Company, all awards outstanding at the end of the most recently completed financial year ended December 31, 2016, including awards granted before the most recently completed financial year.

Name	Option-based Awards			
	Number of securities underlying unexercised options (#) ⁽¹⁾	Option exercise price (\$) ⁽¹⁾	Option expiration date	Value of unexercised in-the-money options (\$) ⁽²⁾
Christopher Hornung ⁽³⁾	62,500	0.40	June 1, 2017	Nil
	100,000	0.235	September 22, 2018	500
Jerry Habuda ⁽⁴⁾	100,000	0.235	September 22, 2018	500
Joseph Perino ⁽⁵⁾	100,000	0.235	Nil	500

(1) Effective June 28, 2016, the Company completed a share consolidation on the basis of one new PUF Share for every 4 old PUF Shares. This table includes post-consolidated figures.

(2) This amount is based on the difference between the market value of the securities underlying the options on December 30, 2016, which was \$0.24, being the last trading day of the PUF Shares for the financial year and the exercise price of any outstanding options.

(3) Mr. Hornung was appointed as a director of the Company on February 6, 2014.

(4) Mr. Habuda was appointed as a director of the Company on May 6, 2016.

(5) Mr. Perino was appointed as a director on September 23, 2016.

Narrative Discussion

The Company has no arrangements, standard or otherwise, pursuant to which directors were compensated by the Company for their services as directors, for committee participation, for involvement in special assignments during the most recently completed financial year.

The Company has a Plan for the granting of incentive stock options to the directors, officers, employees and consultants. The purpose of granting such options is to assist the Company in compensating, attracting, retaining and motivating the directors, officers, employees and consultants and to closely align the personal interests of such persons to that of the shareholders.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth, for each director, other than those who are also NEOs of the Company, the value of all incentive plan awards vested during the financial year ended December 31, 2016:

Name	Option-based awards - Value vested during the year (\$) ⁽¹⁾	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Christopher Hornung ⁽²⁾	Nil	N/A	N/A
Jerry Habuda ⁽³⁾	Nil	N/A	N/A
Joseph Perino ⁽⁴⁾	Nil	N/A	N/A

(1) Effective June 28, 2016, the Company completed a share consolidation on the basis of one new PUF Share for every 4 old PUF Shares. This table includes post-consolidated figures.

(2) Mr. Hornung was appointed as a director of the Company on February 6, 2014.

(3) Mr. Habuda was appointed as a director of the Company on May 6, 2016.

(4) Mr. Perino was appointed as a director on September 23, 2016.

Securities Authorized for Issuance Under Equity Compensation Plans

The Company currently has a 10% Plan in place which was previously approved by the Board on July 7, 2016 and by the PUF Shareholders on August 26, 2016. See *Particulars of Other Matters to be Acted Upon – Re-Approval of Stock Option Plan* for further information on the Company’s Plan.

The following table sets out equity compensation plan information as at the year ended December 31, 2016:

	Number of securities to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾	Weighted-average exercise price of outstanding options, warrants and rights ⁽¹⁾	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) ⁽¹⁾
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by securityholders	2,233,750	\$0.345	966,706
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total:	2,233,750	\$0.345	966,706

- (1) Effective June 28, 2016, the Company completed a share consolidation on the basis of one new PUF Share for every 4 old PUF Shares. The above numbers are based on 32,004,555 PUF Shares issued and outstanding as at December 31, 2016. This table includes post-consolidated figures.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No individual who is or who at any time during the last financial year was a director or executive officer or employee of the Company, a proposed nominee for election as a director of the Company or an associate of any such director, officer or proposed nominee is, or at any time since the beginning of the last completed financial year has been, indebted to the Company or any of its subsidiaries and no indebtedness of any such individual to another entity is, or has at any time since the beginning of such year been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

PARTICULARS OF MATTERS TO BE ACTED UPON

Re-Approval of Stock Option Plan

On July 7, 2016, the Board approved the adoption of a new 10% rolling stock option plan (the “**Plan**”) to replace its 20% fixed stock option plan, and by the shareholders of the Company at its annual general meeting held on August 26, 2016. The Plan is a 10% maximum rolling plan. Options granted under the Plan are not exercisable for a period longer than 10 years and the exercise price must be paid in full upon exercise of the option.

The Board is of the view that the Plan provides the Company with the flexibility to attract and maintain the services of executives, employees and other service providers in compensation with other companies in the industry.

The Plan was established to provide incentive to directors, officers and employees and consultants. As a 10% rolling plan the aggregate number of common shares issuable as options under the Plan may be up to 10% of the Company’s issued and outstanding common shares on the date on which an option is granted, less common shares reserved for issuance on exercise of options then outstanding under the Plan. The purpose of the Plan is to advance the interests of the Company by encouraging equity participation in the Company through the acquisition of common shares of the Company. The Plan is administered by the Board and options are granted at the discretion of the Board to eligible optionees (an “**Optionee**”).

Eligible Optionees

To be eligible to receive a grant of options under the Plan, regulatory authorities require an Optionee to be either a director, officer, employee, consultant or an employee of a company providing management or other services to the Company or a subsidiary at the time the option is granted.

Options may be granted only to an individual eligible, or to a non-individual that is wholly-owned by individuals eligible, for an option grant. If the option is granted to a non-individual, it will not permit any transfer of its securities, nor issue further securities, to any individual or other entity as long as the option remains in effect.

Restrictions

The Plan is subject to the following restrictions:

- (a) The Company must not grant an option to a director, employee, consultant, or consultant company (the “**Service Provider**”) in any 12-month period that exceeds 5% of the outstanding common shares of the Company, unless the Company has obtained approval by a majority of the Disinterested Shareholders (defined below) of the Company;
- (b) The aggregate number of options granted to a Service Provider conducting investor relations activities in any 12 month period must not exceed 2% of the outstanding shares calculated at the date of the grant, without prior Regulatory Approval;
- (c) The Company must not grant an option to a Consultant in any 12 month period that exceeds 2% of the outstanding shares calculated at the date of the grant of the option;
- (d) The aggregate number of common shares reserved for issuance under options granted to Insiders (defined below) must not exceed 10% of the outstanding shares (in the event that the Plan is amended to reserve for issuance more than 10% of the outstanding shares) unless the Company has obtained Disinterested Shareholder Approval to do so;
- (e) The number of optioned shares issued to Insiders in any 12 month period must not exceed 10% of the outstanding shares (in the event that the Plan is amended to reserve for issuance more than 10% of the outstanding shares) unless the Company has obtained Disinterested Shareholder Approval to do so;
- (f) The issuance to any one Optionee within a 12 month period of a number of common shares must not exceed 5% of outstanding shares unless the Company has obtained Disinterested Shareholder Approval to do so;
- (g) The exercise price of an option previously granted to an Insider must not be reduced, unless the Company has obtained Disinterested Shareholder Approval to do so; and
- (h) The Company may implement such procedures and conditions as the Board deems appropriate with respect to withholding and remitting taxes imposed under applicable law, or the funding of related amounts for which liability may arise under such applicable law.

Definitions

“**Disinterested Shareholder Approval**” means the approval by a majority of the votes cast by all shareholders of the Company at the Meeting excluding votes attached to listed common shares beneficially owned by Insiders (defined below) of the Company and Associates (as defined in the British Columbia *Securities Act*) of Insiders.

An “**Insider**” is a director, or senior officer of the Company, a director or senior officer of a company that is an Insider or subsidiary of the Company, or a person that beneficially owns or controls, directly or indirectly, voting common shares carrying more than 10% of the voting rights attached to all outstanding voting common shares of the Company.

Material Terms of the Plan

- (a) persons who are Service Providers to the Company or its affiliates, or who are providing services to the Company or its affiliates, are eligible to receive grants of options under the Plan;

- (b) all options granted under the Plan expire on a date not later than 10 years after the issuance of such options. However, should the expiry date for an option fall within a trading Blackout Period (as defined in the Plan, generally meaning circumstances where sensitive negotiations or other like information is not yet public), within 9 business days following the expiration of a Blackout Period;
- (c) for options granted to Service Providers, the Company must ensure that the proposed Optionee is a bona fide Service Provider of the Company or its affiliates;
- (d) an Option granted to any Service Provider will expire within 90 days (or such other time, not to exceed one year, as shall be determined by the Board as at the date of grant or agreed to by the Board and the Optionee at any time prior to expiry of the Option), after the date the Optionee ceases to be employed by or provide services to the Company, but only to the extent that such Option was vested at the date the Optionee ceased to be so employed by or to provide services to the Company;
- (e) if an Optionee dies, any vested option held by him or her at the date of death will become exercisable by the Optionee's lawful personal representatives, heirs or executors until the earlier of one year after the date of death of such Optionee and the date of expiration of the term otherwise applicable to such option;
- (f) in the case of an Optionee being dismissed from employment or service for cause, such Optionee's options, whether or not vested at the date of dismissal, will immediately terminate without right to exercise same;
- (g) the exercise price of each option will be set by the Board on the effective date of the option and will not be less than the Discounted Market Price (as defined in the Plan);
- (h) vesting of options shall be at the discretion of the Board, and will generally be subject to: (i) the Service Provider remaining employed by or continuing to provide services to the Company or its affiliates, as well as, at the discretion of the Board, achieving certain milestones which may be defined by the Board from time to time or receiving a satisfactory performance review by the Company or its affiliates during the vesting period; or (ii) the Service Provider remaining as a Director of the Company or its affiliates during the vesting period;
- (i) in the event of a take over bid being made to the shareholders generally, immediately upon receipt of the notice of the take over bid, the Company shall notify each Optionee currently holding any Options, of the full particulars of the take over bid, and all outstanding options may, notwithstanding the vesting terms contained in the Plan or any vesting requirements subject to Regulatory Approval; and
- (j) the Board reserves the right in its absolute discretion to amend, suspend, terminate or discontinue the Plan with respect to all Plan shares in respect of options which have not yet been granted under the Plan.

The Board has determined that, in order to reasonably protect the rights of participants, as a matter of administration, it is necessary to clarify when amendments to the Plan may be made by the Board without further shareholder approval. Accordingly, the Board proposes that the Plan also provide the following:

The Board may, without shareholder approval:

- (i) amend the Plan to correct typographical, grammatical or clerical errors;
- (ii) change the vesting provisions of an option granted under the Plan, if applicable;
- (iii) change the termination provision of an option granted under the Plan if it does not entail an extension beyond the original expiry date of such option;
- (iv) make such amendments to the Plan as are necessary or desirable to reflect changes to securities laws applicable to the Company;
- (v) make such amendments as may otherwise be permitted by regulatory authorities;

- (vi) if the Company becomes listed or quoted on a stock exchange or stock market senior to the CSE, make such amendments as may be required by the policies of such senior stock exchange or stock market; and
- (vii) amend the Plan to reduce the benefits that may be granted to Service Providers.

Shareholder Approval

At the Meeting, PUF Shareholders will be asked to consider and vote on the ordinary resolution to approve the adoption of the Plan, with or without variation, as follows:

“BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT the Company’s Stock Option Plan dated July 7, 2016 be ratified, confirmed and approved, subject to any amendments that may be required by the CNSX Markets Inc., as the directors of the Company may deem necessary or advisable.”

The Board recommends that shareholders vote in favour of the Plan. Unless such authority is withheld, the persons named in the enclosed Proxy intend to vote FOR the approval of the foregoing ordinary resolution.

An ordinary resolution is a resolution passed by the shareholders of the Company at a general meeting by a simple majority of the votes cast in person or by proxy.

A copy of the Plan will be available for inspection at the Meeting.

THE ARRANGEMENT

General

The Arrangement will be carried out pursuant to the Arrangement Agreement, the Plan of Arrangement and related documents. A summary of the principal terms of the Arrangement Agreement and the Plan of Arrangement is provided in this section. This summary does not purport to be complete and is qualified in its entirety by reference to the Arrangement Agreement, which is available on PUF’s SEDAR profile at www.sedar.com and the Plan of Arrangement, which is appended to this Circular. Capitalized terms have the meaning set out in the Glossary of Terms, or are otherwise defined herein.

Approval of Special Resolution

At the Meeting, PUF Shareholders will be asked to approve the Arrangement Resolution, in the form set out in **Appendix A** attached to this Circular. The approval of the Arrangement Resolution will require at least a two-thirds (2/3) majority of the votes cast by PUF Shareholders at the Meeting present in person or represented by proxy voting as a single class. In addition, completion of the Arrangement is subject to receipt of required Regulatory Approvals, including the approval of the Court and other customary closing conditions.

The Board has approved the terms of the Arrangement Agreement and the Plan of Arrangement and unanimously recommends that the PUF Shareholders vote FOR the Arrangement Resolution. See *The Arrangement – Steps of the Arrangement - Recommendation of the PUF Board* below.

Reasons for the Arrangement

The Board has determined that the Company should concentrate its efforts on its primary business activities. To this end, the Board approved a reorganization of the Company pursuant to the Arrangement as described in this Circular.

The Board is of the view that the Arrangement will benefit the Company and the PUF Shareholders. This conclusion is based on the following primary determinations:

The decision to proceed with the Arrangement was based on, among other things, the following primary determinations:

- Since incorporation, the Company’s primary focus has been the acquisition, exploration and development of resource projects in Canada. On June 5, 2017, the Company announced that it had sold its Lac Saint Simon Property to Volt Energy Corp. pursuant to a mineral property acquisition agreement. The Company changed its industry classification from junior natural resource – mining to consumer products – biotechnology/pharmaceuticals and is now focused on moving into the biomedical cannabis sector, now with a majority interest in AAA Heidelberg, a private Ontario company, which is in Stage 5 of 7 in its application for an ACMPR license from Health Canada. The Company’s goal is to become the next publicly traded Canadian company to be granted a new medical marijuana production license. On May 12, 2015, the Company acquired 100% of Weed Points, which owns the exclusive rights to the “1313” electronic cigarette brand, a medicinal marijuana mobile application technology, and several research and development projects. Weed Points also endeavors to serve as the first loyalty program that targets the emerging cannabis markets penetrating both the B2B and B2C marketplaces. The Company determined that it would be in the best interests of the Company for Weed Points to be spun out pursuant to the Arrangement so that Weed Points would focus on the development of WeedBeacon (see *Glossary of Terms*), as well as focusing on its loyalty program, and for the Company to focus on (i) medical marijuana with a particular emphasis to growing cannabis for its joint venture partnership with Canopy Growth, and (ii) expanding its “1313” brand of e-cigarettes, marijuana Vape delivery devices and associated products, and to proceed with the Arrangement. The transfer of the Assets to Weed Points will facilitate separate corporate development strategies for the Company moving forward and at the same time enable the Company’s shareholders to retain their interest in the Assets moving forward. For further details, see *Information Concerning the Company* and *Information Concerning Weed Points*.
- Following the Arrangement, management of the Company is expected to consist of a strong executive team with significant experience, knowledge and connections in the medical marijuana industry, and management of Weed Points will be free to focus on developing the Assets and its loyalty program.
- The distribution of Weed Points Shares to the PUF Shareholders pursuant to the Arrangement will give the PUF Shareholders a direct interest in a new company that will focus on and pursue the development of the Assets as well as the loyalty program.
- As a separate company focusing on growing cannabis for its joint venture partnership with Canopy Growth, and expanding its “1313” brand of e-cigarettes, marijuana Vape delivery devices and associated products, the Company will have direct access to broader public and private capital markets and will be able to issue debt and equity to fund its joint venture projects and to finance the acquisition and development of any new technology the Company may acquire on a priority basis.
- As a separate company, Weed Points will have direct access to public and private capital markets and will be able to issue debt and equity to fund improvements and development of the Assets and its loyalty program and to finance the acquisition and development of any new projects that Weed Points may acquire on a priority basis.
- As a separate company, Weed Points will be able to establish equity based compensation programs to enable it to better attract, motivate and retain directors, officers and key employees, thereby better aligning management and employee incentives with the interests of shareholders.

Fairness of the Arrangement

The Arrangement was determined to be fair to the PUF Shareholders by the Board based upon the following factors, among others:

1. the procedures by which the Arrangement will be approved, including the requirement for two-thirds (2/3) approval by the PUF Shareholders and approval by the Court after a hearing at which fairness will be considered;
2. the proposed application for listing of the Weed Points Shares and meeting the listing requirements on a Canadian stock exchange;

3. the opportunity for PUF Shareholders who are opposed to the Arrangement, upon compliance with certain conditions, to dissent from the approval of the Arrangement in accordance with the Interim Order, and to be paid fair value for their PUF Shares; and
4. each PUF Shareholder on the Share Distribution Record Date will participate in the Arrangement on a *pro rata* basis and, upon completion of the Arrangement, will continue to hold substantially the same *pro rata* interest that such PUF Shareholder held in the Company prior to completion of the Arrangement and substantially the same *pro rata* interest in Weed Points.

Steps of the Arrangement

The following description is a summary of the Plan of Arrangement and is qualified in its entirety by reference to the full text of the Plan of Arrangement, which is attached as **Appendix B** to this Circular. At the Effective Time, the following transactions will occur and will be deemed to occur in the order set out in the Plan of Arrangement:

Dissenting Shareholders

Each PUF Share held by a Dissenting Shareholder will be deemed to be directly transferred and assigned by such Dissenting Shareholder to PUF (free and clear of any liens) and cancelled for the following consideration (which is more particularly described in the Plan of Arrangement): (a) the fair value of the PUF Shares (in cash) to be determined as of the close of business on the day before the Effective Time; or (b) if it is determined that a Dissenting Shareholder is not entitled, for any reason, to be paid the fair value for their PUF Shares, then such PUF Shares will be deemed to have participated in the Arrangement as of the Effective Time and such holder will be entitled to receive Weed Points Shares as consideration as if such holder had not exercised Dissent Rights.

In no circumstances will PUF or any other person be required to recognize a person purporting to exercise Dissent Rights unless such person is a Registered Shareholder in respect of which such rights are sought to be exercised.

Effect of the Arrangement

On completion of the Arrangement, assuming that at the Share Distribution Record Date there are 49,239,958 PUF Shares issued and outstanding, Weed Points will issue approximately 7,034,279 Weed Points Shares to the PUF Shareholders. PUF Shareholders will hold 100% of the total issued and outstanding Weed Points Shares. For a description of the rights attached to the Weed Points Shares, see *Information Concerning Weed Points – Share Capital*.

Following completion of the Arrangement, (i) Weed Points will hold the Assets transferred to it by PUF, (ii) Weed Points will become a reporting issuer in the Provinces of British Columbia, Alberta and Ontario (provided that at least one of the parties to the Arrangement has been a “reporting issuer”, as that term is defined in the *Securities Act* (Ontario) for at least 12 months prior to the Effective Date), and intends to apply for and meet the listing requirements on a Canadian stock exchange, (iii) each PUF Shareholder will continue to be a shareholder of the Company, (iv) all PUF Shareholders will have become shareholders of Weed Points, and (v) the Company will retain its working capital for its Assets, and remain listed on the Exchange and continue to trade under the trading symbol, PUF, as a consumer products – biotechnology/pharmaceuticals company. **There can be no guarantee that the Weed Points Shares will be listed on any stock exchange.**

Effective Date of the Arrangement

If the Arrangement Resolution is passed, the Final Order is obtained, every other requirement of the BCBCA relating to the Arrangement is complied with and all other conditions disclosed in the Arrangement Agreement and summarized below under *The Arrangement Agreement – Conditions to the Arrangement Becoming Effective* are satisfied or waived, the Arrangement will become effective on the Effective Date. PUF and Weed Points currently expect that the Effective Date will be in December 2017.

Recommendation of the PUF Board

By passing the Arrangement Resolution, the PUF Shareholders will also be giving authority to the Board to use its best judgment to proceed with and cause the Company to complete the Arrangement without any requirement to seek or obtain any further approval of the PUF Shareholders.

The Board approved the Arrangement and authorized the submission of the Arrangement to the PUF Shareholders and the Court for approval. In reaching this conclusion, the Board considered the benefits to the Company and the PUF Shareholders, as well as the financial position, opportunities and the outlook for the future potential and operating performance of the Company and Weed Points.

The Arrangement Resolution also provides that the Plan of Arrangement may be amended by the Board before or after the Meeting without further notice to PUF Shareholders. The Board has no current intention to amend the Plan of Arrangement; however, it is possible that the Board may determine that it is appropriate that amendments be made.

After careful consideration, the Board has unanimously determined that the offered consideration of one (1) Weed Points Share in exchange for every seven (7) PUF Shares held by PUF Shareholders under the Arrangement is fair, from a financial point of view, to PUF Shareholders and that the Arrangement is in the best interests of PUF. **Accordingly, the Board has concluded that the Arrangement is in the best interests of the Company and the PUF Shareholders, and unanimously recommends that the PUF Shareholders vote FOR the Arrangement Resolution at the Meeting.**

Conditions to the Arrangement

The Arrangement Agreement provides that the Arrangement will be subject to the fulfillment of certain conditions, including the following:

1. the Arrangement Agreement must be approved by the PUF Shareholders at the Meeting in the manner referred to under *Shareholder Approval*, as described below;
2. the Arrangement must be approved by the Court in the manner referred to under *Court Approval of the Arrangement*, as described below;
3. all other consents, orders, regulations and approvals, including regulatory and judicial approvals and orders, required, necessary or desirable for the completion of the Arrangement must have been obtained or received, each in a form acceptable to the Company and Weed Points; and
4. the Arrangement Agreement must not have been terminated.

If any of the conditions set out in the Arrangement Agreement are not fulfilled or performed, the Arrangement Agreement may be terminated, or in certain cases the Company or Weed Points, as the case may be, may waive the condition in whole or in part. As soon as practicable after the fulfillment of the conditions contained in the Arrangement Agreement, the Final Order will be deposited with the records office of the Company together with such other material as may be required, in order that the Arrangement will become effective.

Management of the Company believes that all material consents, orders, regulations, approvals or assurances required for the completion of the Arrangement will be obtained in the ordinary course upon application therefore.

SHAREHOLDER APPROVAL

In order for the Arrangement to become effective, the Arrangement Resolution must be passed, with or without variation, by a special resolution of at least two-thirds (2/3) of the eligible votes cast in respect of the Arrangement Resolution by PUF Shareholders present in person or by proxy at the Meeting.

The Weed Points Shareholders as at October 20, 2017 have approved the Arrangement by consent resolution.

COURT APPROVAL OF THE ARRANGEMENT

The Arrangement as structured requires the approval of the Court. Prior to the mailing of this Circular, the Company obtained the Interim Order authorizing the calling and holding of the Meeting and providing for certain other procedural matters. The Interim Order is attached as **Appendix C** to this Circular. The Notice of Hearing of Petition is attached as **Appendix E** to this Circular.

Assuming approval of the Arrangement Resolution by the PUF Shareholders at the Meeting, the hearing for the Final Order is scheduled to take place at 9:45 a.m. (Vancouver time) on or after Thursday, November 30, 2017 at the Courthouse located at 800 Smithe Street, Vancouver, British Columbia or at such other date and time as the Court may direct. At this hearing, any security holder, director, auditor or other interested party of the Company who wishes to participate or to be represented or present evidence or argument may do so, subject to filing an appearance and satisfying certain other requirements.

The Court has broad discretion under the BCBCA when making orders in respect of arrangements and the Court may approve the Arrangement as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks appropriate. The Court, in hearing the application for the Final Order, will consider, among other things, the fairness of the terms and conditions of the Arrangement to the PUF Shareholders.

The Arrangement requires Court approval under the BCBCA. In addition to this approval, the Court will be asked for a declaration following a Court hearing that the Arrangement is procedurally and substantially fair to the PUF Shareholders, which will, in part, serve as the basis for the Section 3(a)(10) Exemption. Before the mailing of this Circular, PUF obtained the Interim Order providing for the calling and holding of the Meeting, the Dissent Rights and certain other procedural matters. The text of the Interim Order is set out in **Appendix C** to this Circular. If the Arrangement Resolution is passed at the Meeting in the manner required by the Interim Order, PUF intends to make an application to the Court for the Final Order at 9:45 a.m. (Vancouver time), or as soon thereafter as counsel may be heard, on Thursday, November 30, 2017 at the Courthouse, 800 Smithe Street, Vancouver, British Columbia, or at any other date and time as the Court may direct. The Final Order is required for the Arrangement to become effective, and before the hearing of the Final Order, the Court will be informed that the Final Order will also constitute the basis for the Section 3(a)(10) Exemption with respect to the Weed Points Shares to be issued pursuant to the Arrangement. PUF has been advised by its legal counsel, Linus Antanavicius, J.D., LL.M., that the Court has broad discretion under the BCBCA when making orders with respect to the Arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, on the terms presented or substantially on those terms. Depending upon the nature of any required amendments and in accordance with the Arrangement Agreement, PUF or Weed Points may determine not to proceed with the Arrangement.

Any PUF Shareholders who wish to appear or be represented and to present evidence or arguments at that hearing must file and serve a response to petition no later than 4:00 p.m. (Vancouver time) on November 28, 2017 along with any other documents required, all as set out in the Interim Order and Notice of Petition for Final Order, the texts of which are set out in Appendices C and E to this Circular, and satisfy any other requirements of the Court. Such persons should consult with their legal advisor with respect to the legal rights available to them in relation to the Arrangement and as to the necessary requirements to assert any such rights.

Final Order

Subject to the terms of the Arrangement Agreement, and if the Arrangement Resolution is approved by PUF Shareholders at the Meeting in the manner required by the Interim Order, PUF intends to make an application to the Court for the Final Order.

The application for the Final Order approving the Arrangement is currently scheduled for November 30, 2017 at 9:45 a.m. (Vancouver time), or as soon thereafter as counsel may be heard, at the Courthouse, 800 Smithe Street, Vancouver, British Columbia, or at any other date and time as the Court may direct. Any PUF Shareholder or any other interested party who wishes to appear or be represented and/or to present evidence or arguments at the hearing of the application for the Final Order must file and serve a response to petition no later than 4:00 p.m. (Vancouver time) on November 28, 2017 along with any other documents required, all as set out in the Interim Order and the Notice of Petition, the text of which are set out in Appendices C and E, respectively, to this Circular, and satisfy any

other requirements of the Court. Such persons should consult with their legal advisors as to the necessary requirements. In the event that the hearing is adjourned, then, subject to further order of the Court, only those persons having previously filed and served a response to petition will be given notice of the adjournment.

Offers and sales of the Weed Points Shares to be issued pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act or the Securities Laws of any state of the United States and will be issued in reliance upon the Section 3(a)(10) Exemption and similar exemptions from registration or qualification under any applicable Securities Laws of any state of the United States in which PUF Shareholders reside. The Section 3(a)(10) Exemption exempts from registration a security that is issued in exchange for outstanding securities, claims or property interests, where the terms and conditions of such issuance and exchange are approved, after a hearing upon the procedural and substantive fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear, and receive timely and adequate notice thereof, by a court or by a governmental authority expressly authorized by law to grant such approval. The Court will be advised at the hearing of the application for the Final Order that if the terms and conditions of the Arrangement, and the procedural and substantive fairness thereof, are approved by the Court, the Final Order will be relied upon to constitute the basis for the Section 3(a)(10) Exemption with respect to the Weed Points Shares to be issued pursuant to the Arrangement. Accordingly, the Final Order of the Court will, if granted, constitute a basis for the Section 3(a)(10) Exemption with respect to the issuance of the Weed Points Shares in connection with the Arrangement. To the extent state blue-sky laws are applicable to any offers or sales of Weed Points Shares made in any state or territory of the United States, Weed Points will rely on available exemptions under such laws. See *Completion of Arrangement – United States Securities Law Considerations*.

For further information regarding the Court hearing and your rights in connection with the Court hearing, see the form of Notice of Hearing of Petition attached at **Appendix E** to this Circular. The Notice of Hearing of Petition constitutes notice of the Court hearing of the application for the Final Order and is your only notice of the Court hearing.

COMPLETION OF ARRANGEMENT

Proposed Timetable for Arrangement

The anticipated timetable for the completion of the Arrangement and the key dates proposed are as follows:

Record Date:	October 4, 2017
Share Distribution Record Date:	October 4, 2017
Annual General and Special Meeting:	November 24, 2017
Final Court Approval:	November 30, 2017
Effective Date:	to be determined
Mailing of DRS Statement for Weed Points Shares:	(approximately 5 to 10 business days after the Effective Date)

Notice of the actual Share Distribution Record Date was given by news release on September 29, 2017, and notice of the Effective Date will be given to the PUF Shareholders through one or more press releases. The boards of directors of each of the Company and Weed Points, will determine the Effective Date depending upon satisfaction that all of the conditions to the completion of the Arrangement are satisfied.

Share Certificates

As soon as practicable after the Effective Date, DRS Statements representing the appropriate number of Weed Points Shares will be sent to all PUF Shareholders of record as of the Record Date, following the Effective Date.

Relationship Between the Company and Weed Points After the Arrangement

On completion of the Arrangement, the directors and management of the Company will consist of the following:

Derek Ivany	President, CEO and Director
Christopher P. Cherry	CFO
Christopher Hornung	Director
Jerry Habuda	Director
Joseph Perino	Director

On completion of the Arrangement, the directors and management of Weed Points will consist of the following:

Shawn Moniz	CEO and Director
Christopher P. Cherry	CFO and Director
Steve Loutskou	Chief Strategy Officer and Director

Distribution and Resale of Weed Points Shares under Canadian Securities Laws

Exemption from Canadian Prospectus Requirements and Resale Restrictions

The distribution of the Weed Points Shares pursuant to the Arrangement will constitute a distribution of securities that is exempt from the prospectus requirements of Canadian Securities Laws and is exempt from or otherwise is not subject to the registration requirements under applicable Canadian Securities Laws. The Weed Points Shares received pursuant to the Arrangement will not be legended and may be resold through registered dealers in each of the provinces of Canada provided that (i) the trade is not a “control distribution” as defined National Instrument 45-102 *Resale of Securities* of the Canadian Securities Administrators, (ii) no unusual effort is made to prepare the market or to create a demand for the Weed Points Shares, as the case may be, (iii) no extraordinary commission or consideration is paid to a person or company in respect of such sale, and (iv) if the selling security holder is an insider or officer of Weed Points, the selling security holder has no reasonable grounds to believe that Weed Points is in default of applicable Canadian Securities Laws.

The foregoing discussion is only a general overview of the requirements of Canadian Securities Laws for the resale of the Weed Points Shares received upon completion of the Arrangement. All holders of PUF Shares are urged to consult with their own legal counsel to ensure that any resale of their Weed Points Shares complies with applicable securities legislation.

United States Securities Laws Considerations

The Weed Points Shares to be issued to the PUF Shareholders under the Arrangement have not been registered under the U.S. Securities Act, or under the securities laws of any state of the United States, and will be issued to PUF Shareholders resident in the United States in reliance on the exemption from registration set forth in Section 3(a)(10) of the U.S. Securities Act on the basis of the approval of the Arrangement by the Court, and pursuant to available exemptions from registration under applicable state securities laws. The Court will be advised that the Court’s approval, if obtained, will constitute the basis for an exemption from the registration requirements of the U.S. Securities Act.

The following discussion is a general overview of certain requirements of U.S. federal Securities Laws that may be applicable to PUF Shareholders in the United States. All PUF Shareholders in the United States are urged to consult with their own legal counsel to ensure that any subsequent resale of Weed Points Shares to be received pursuant to the Arrangement complies with applicable Securities Laws, including blue-sky laws that may be applicable to the Weed Points Shares received under the Arrangement.

The discussions presented herein do not address the U.S. Securities Laws for persons who are “affiliates” of Weed Points other than as expressly referenced herein. The definition of “affiliates” for such purpose is set forth under *Resales of Weed Points Shares after the Effective Date* below. Further information applicable to PUF Shareholders in the United States is disclosed under *Note to United States Shareholders*.

The following discussion does not address the Canadian Securities Laws that will apply to the issue of Weed Points Shares into the United States or the resale of these securities within Canada by PUF Shareholders in the United States. PUF Shareholders in the United States reselling their Weed Points Shares in Canada must comply with Canadian Securities Laws, as outlined elsewhere in this Circular, and should confirm that any such sales comply with an exemption from registration under the U.S. Securities Act, as further discussed below.

U.S. Resale Restrictions – Securities Issued to PUF Shareholders

The Weed Points Shares be issued to a PUF Shareholder who is an “affiliate” of either the Company and Weed Points prior to the Arrangement or will be an “affiliate” of Weed Points after the Arrangement will be subject to certain restrictions on resale imposed by the U.S. Securities Act. Pursuant to Rule 144 under the U.S. Securities Act, an “affiliate” of an issuer for the purposes of the U.S. Securities Act is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such issuer.

The foregoing discussion is only a general overview of certain requirements of United States Securities Laws applicable to the securities received upon completion of the Arrangement. All holders of securities received in connection with the Arrangement are urged to consult with counsel to ensure that the resale of their securities complies with applicable securities legislation.

Exemption from the Registration Requirements of the U.S. Securities Act

The offer and sale of Weed Points Shares to be received by PUF Shareholders pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act or the Securities Laws of any state of the United States and will be issued in reliance upon the Section 3(a)(10) Exemption and exemptions provided under the Securities Laws of each state of the United States in which PUF Shareholders reside, described above as “state blue-sky laws”. The Section 3(a)(10) Exemption exempts the issuance of any securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration under the U.S. Securities Act where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the procedural and substantive fairness of the terms and conditions of such issuance and exchange at which all persons to whom it is proposed to issue the securities have the right to appear and receive timely and adequate notice thereof. The Court is authorized to conduct a hearing at which the procedural and substantive fairness of the terms and conditions of the Arrangement will be considered. The Court issued the Interim Order on October 25, 2017 and, subject to the approval of the Arrangement by the PUF Shareholders, a hearing in respect of the Final Order for the Arrangement will be held on November 30, 2017 at 9:45 a.m. (Vancouver time), or as soon thereafter as counsel may be heard, before the Court at the courthouse at 800 Smithe Street, Vancouver, British Columbia. All PUF Shareholders are entitled to appear and be heard at this hearing. Accordingly, the Final Order will, if granted, constitute a basis for reliance on the Section 3(a)(10) Exemption with respect to the Weed Points Shares to be received by PUF Shareholders in exchange for their PUF Shares pursuant to the Arrangement. To the extent state blue-sky laws are applicable to any offers or sales of Weed Points Shares made in any state or territory of the United States, Weed Points will rely on available exemptions under such laws.

Resales by Affiliates Pursuant to Rule 144

In general, pursuant to Rule 144, persons who are “affiliates” of Weed Points after the Effective Date, or were “affiliates” of Weed Points within 90 days prior to the Effective Date, will be entitled to sell in the United States those Weed Points Shares that they receive pursuant to the Arrangement, provided that, during any three-month period, the number of such securities sold does not exceed the greater of one percent of the then outstanding securities of such class or, if such securities are listed on a United States securities exchange and/or reported through the automated quotation system of a U.S. registered securities association, the average weekly trading volume of such securities during the four calendar week period preceding the date of sale, subject to specified restrictions on manner of sale requirements, aggregation rules, notice filing requirements and the availability of current public information about the issuer required under Rule 144. Persons who are “affiliates” of Weed Points after the Effective Date or who were “affiliates” of Weed Points during such period should consult with their respective securities counsel before engaging in offers or sales of Weed Points Shares issued pursuant to the Arrangement.

Resales by Affiliates Pursuant to Regulation S

In general, pursuant to Regulation S, if at the Effective Date Weed Points is a “foreign private issuer” (as defined in Rule 3b-4 under the U.S. Exchange Act), persons who are “affiliates” of Weed Points after the Effective Date, or were “affiliates” of Weed Points within 90 days prior to the Effective Date, solely by virtue of their status as an officer or director of Weed Points, may sell their Weed Points Shares outside the United States in an “offshore transaction” (which would include a sale through the CSE) if none of the seller, an affiliate or any person acting on their behalf engages in “directed selling efforts” in the United States with respect to such securities and provided that no selling concession, fee or other remuneration is paid in connection with such sale other than the usual and customary broker’s commission that would be received by a person executing such transaction as agent. For purposes of Regulation S, “directed selling efforts” means any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered. Also, for purposes of Regulation S, an offer or sale of securities is made in an “offshore transaction” if the offer is not made to a person in the United States and either (a) at the time the buy order is originated, the buyer is outside the United States, or the seller reasonably believes that the buyer is outside of the United States, or (b) the transaction is executed in, on or through the facilities of a “designated offshore securities market” (which would include a sale through the CSE), and neither the seller nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States. Certain additional restrictions set forth in Rule 903 of Regulation S are applicable to sales outside the United States by a holder of Weed Points Shares who is an “affiliate” of Weed Points after the Effective Date, or was an “affiliate” of Weed Points within 90 days prior to the Effective Date, other than by virtue of his or her status as an officer or director of Weed Points.

Additional Information for U.S. Security Holders

THE SECURITIES ISSUABLE IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR SECURITIES REGULATORY AUTHORITIES IN ANY STATE, NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE PASSED ON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR AND ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Circular has been prepared in accordance with the applicable disclosure requirements in Canada. Residents of the United States should be aware that such requirements are different than those of the United States applicable to proxy statements under the U.S. Exchange Act. Likewise, information concerning the Company and Weed Points have been prepared in accordance with Canadian standards, and may not be comparable to similar information for United States companies.

PUF Shareholders should be aware that the acquisition of the securities described herein may have tax consequences both in the United States and in Canada. See *Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada* for certain information concerning United States tax consequences of the Arrangement for investors who are resident in, or citizens of, the United States.

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Company and Weed Points are incorporated or organized under the laws of a foreign country, that some or all of their officers and directors and any experts named herein may be residents of a foreign country, and that all or a substantial portion of the Assets of the Company and Weed Points and said persons may be located outside the United States.

Expenses of Arrangement

Pursuant to the Arrangement Agreement, the costs relating to the Arrangement, including without limitation, financial, advisory, accounting, and legal fees will be borne by the party incurring them. The costs of the Arrangement to the Effective Date will be borne by the Company.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular PUF Shareholder. This summary is not exhaustive of all Canadian federal income tax considerations. No representation with respect to the Canadian federal income tax consequences to any particular PUF Shareholder is made herein. Accordingly, PUF Shareholders should consult their own

tax advisors with respect to their particular circumstances including, where relevant, the application and effect of the income and other taxes of any country, province, territory, state or local tax authority.

The following summarizes the principal Canadian federal income tax considerations relating to the Arrangement applicable to a PUF Shareholder (in this summary, a “**Holder**”) who, at all material times for purposes of the Tax Act:

- holds all PUF Shares, and will hold all Weed Points Shares;
- solely as capital property;
- deals at arm’s length with PUF and Weed Points;
- is not “affiliated” with the Company or Weed Points;
- is not a “financial institution” for the purposes of the mark-to-market rules in the Tax Act; and
- has not acquired PUF Shares on the exercise of an employee stock option.

PUF Shares and Weed Points Shares generally will be considered to be capital property of the Holder unless the Holder holds the shares in the course of carrying on a business or acquired them in a transaction considered to be an adventure in the nature of trade.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the “**Regulations**”) and management’s understanding of the current administrative practices and policies of the Canada Revenue Agency (the “**CRA**”). It also takes into account specific proposals to amend the Tax Act and Regulations (the “**Proposed Amendments**”) announced by the Minister of Finance (Canada) prior to the date hereof. It is assumed that all Proposed Amendments will be enacted in their present form, and that there will be no other relevant change to any relevant law or administrative practice, although no assurances can be given in these respects. This summary does not take into account any provincial, territorial, or foreign income tax considerations which may differ from the Canadian federal income tax considerations discussed below. An advance income tax ruling will not be sought from the CRA in respect of the Arrangement.

This summary also assumes that at the Effective Date under the Arrangement and all other material times thereafter, the paid-up capital of the PUF Shares as computed for the purposes of the Tax Act will not be less than the fair market value of the Assets to be transferred to Weed Points pursuant to the Arrangement, and is qualified accordingly.

This summary is of a general nature only, and is not exhaustive of all possible Canadian federal income tax considerations. This summary is not intended to be, and should not be construed to be, legal or tax advice to any PUF Shareholder. **Accordingly, Holders should each consult their own tax and legal advisors for advice as to the income tax consequences of the Arrangement applicable to them in their particular circumstances.**

Holders Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the application of the Tax Act is, or is deemed to be, resident in Canada (a “**Resident Holder**”). Certain Resident Holders whose PUF Shares or Weed Points Shares might not otherwise qualify as capital property may be entitled to have such shares, and every other “Canadian security” (as defined in the Tax Act) owned by them in the taxation year and any subsequent taxation year, deemed to be capital property by making an irrevocable election in accordance with subsection 39(4) of the Tax Act. Resident Holders considering making such an election should consult their own tax advisors for advice as to whether the election is available or advisable in their own particular circumstances.

Disposition of Weed Points Shares

A Resident Holder who disposes of a Weed Points Share will realize a capital gain (capital loss) equal to the amount by which the proceeds of disposition of the share, less reasonable costs of disposition, exceed (are exceeded by) the ACB of the share to the Resident Holder determined immediately before the disposition. Any capital gain or loss so arising will be subject to the usual rules applicable to the taxation of capital gains and losses described below.

Taxation of Capital Gains and Losses

A Resident Holder who realizes a capital gain (capital loss) in a taxation year must include one half of the capital gain (“**taxable capital gain**”) in income for the year, and may deduct one half of the capital loss (“**allowable capital loss**”) against taxable capital gains realized in the year, and to the extent not so deductible, against taxable capital gains arising in any of the three preceding taxation years or any subsequent taxation year.

The amount of any capital loss arising from a disposition or deemed disposition of a PUF Share and a Weed Points Share by a Resident Holder that is a corporation may, to the extent and under circumstances specified in the Tax Act, be reduced by the amount of certain dividends received or deemed to be received by the corporation on the share. Similar rules may apply if the corporation is a member of a partnership or beneficiary of a trust that owns shares, or where a partnership or trust of which the corporation is a member or beneficiary is a member of a partnership or a beneficiary of a trust that owns shares.

A Resident Holder that is a “Canadian-controlled private corporation” for the purposes of the Tax Act may be required to pay an additional 6 $\frac{2}{3}$ % refundable tax in respect of any net taxable capital gain that it realizes on disposition of a PUF Share and Weed Points Share.

Taxation of Dividends on Weed Points Shares

A Resident Holder who is an individual will be required to include in income any dividends received or deemed to be received on the Resident Holder’s Weed Points Shares and will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit rules applicable to any dividends designated by Weed Points as “eligible dividends”, as defined in the Tax Act. There may be limitations on the ability of Weed Points to designate dividends as eligible dividends.

A Resident Holder that is a corporation will be required to include in income any dividend that it receives or is deemed to be received on the Resident Holder’s Weed Points Shares and generally will be entitled to deduct an equivalent amount in computing its taxable income. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A “private corporation” or a “subject corporation” (as defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax on any dividend that it receives or is deemed to receive on Weed Points Shares to the extent that the dividend is deductible in computing the corporation’s taxable income.

Taxable dividends received by an individual or trust, other than certain specified trust, may give rise to minimum tax under the Tax Act.

Alternative Minimum Tax on Individuals

A capital gain realized, or deemed to be realized, by a Resident Holder who is an individual (including certain trusts and estates) may give rise to liability to alternative minimum tax under the Tax Act.

Dissenting Resident Holders

A Resident Holder who exercises Dissent Rights in respect of the Arrangement (a “**Dissenting Resident Holder**”) and who disposes of PUF Shares in consideration for a cash payment from PUF will be deemed to have received a dividend from PUF equal to the amount by which the cash payment (other than any portion of the payment that is interest awarded by a court) exceeds the paid-up capital (computed for the purpose of the Tax Act) of the Dissenting Resident Holder’s PUF Shares. The balance of the payment (equal to the paid-up capital of the Dissenting Resident Holder’s PUF Shares) will be treated as proceeds of disposition. The Dissenting Resident Holder will also realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Dissenting Resident Holder’s PUF Shares. In certain circumstances, the full payment received by a Dissenting Resident Holder that is a corporation resident in Canada may be treated under the Tax Act as proceeds of disposition.

Any deemed dividend received by a Dissenting Resident Holder and any capital gain or capital loss realized by the Dissenting Resident Holder, will be treated in the same manner as described under *Dividends on Weed Points Shares and Taxation of Capital Gains and Capital Losses* below.

A Dissenting Resident Holder will be required to include in computing its income any interest awarded by a court in connection with the Arrangement. In addition, a Dissenting Resident Holder that, throughout the relevant taxation year, is a “Canadian controlled private corporation” (as defined in the Tax Act) may be liable to pay a refundable tax on its “aggregate investment income” (as defined in the Tax Act), including any taxable capital gains and interest income. Dissenting Resident Holders should consult their own tax advisors with respect to the Canadian federal income tax consequences of exercising their Dissent Rights.

Eligibility for Investment

Based on the current provisions of the Tax Act, the Weed Points Shares will be qualified investments under the Tax Act for trusts governed by a registered retirement savings plan (“RRSP”), a registered retirement income fund (“RRIF”), a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan or a tax-free savings account (“TFSA”) (each as defined in the Tax Act), at any particular time, provided that, at that time, the Weed Points Shares are listed on a “designated stock exchange” or Weed Points is a “public corporation” (each as defined in the Tax Act).

Notwithstanding that Weed Points Shares may be qualified investments for a trust governed by a RRSP, RRIF or TFSA, the annuitant under an RRSP or RRIF, or the holder of a TFSA, will be subject to a penalty tax on such shares if such shares are a “prohibited investment” (as defined in subsection 207.01(1) of the Tax Act). The Weed Points Shares will generally not be a “prohibited investment” for a trust governed by a TFSA, RRSP or RRIF provided that (i) the holder of the TFSA or the annuitant under the RRSP or the RRIF, as the case may be, deals at arm’s length with Weed Points for purposes of the Tax Act and does not have a “significant interest” (as defined in subsection 207.01(4) of the Tax Act) in Weed Points, or (ii) the Weed Points Shares are “excluded property” (as defined in subsection 207.01(1) of the Tax Act) for the TFSA, RRSP or RRIF. An annuitant under the RRSP or RRIF, or a holder of a TFSA should consult its own tax advisor in this regard.

Other Tax Considerations

This Circular does not address any tax considerations of the Arrangement other than certain Canadian and U.S. income tax considerations. Holders of securities who are resident in jurisdictions other than Canada should consult their own tax advisors with respect to the tax implications of the Arrangement, including any associated filing requirements in such jurisdictions and with respect to the tax implications in such jurisdictions of owning shares after the Arrangement. Holders of securities should also consult their own tax advisors regarding provincial, territorial or state tax considerations of the Arrangement or of holding Weed Points Shares.

Holders Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for the purposes of the application of the Tax Act, is not, and is not deemed to be, resident in Canada and does not use or hold, and is not deemed to use or hold, the PUF Shares or Weed Points Shares in a business carried on in Canada (a “**Non-Resident Holder**”). Special rules, which are not discussed in this summary, may apply to certain holders that are insurers carrying on an insurance business in Canada and elsewhere or an “authorized foreign bank” (as defined in the Tax Act).

Taxation of Dividends

Dividends paid or credited, or deemed to be paid or credited, on a Non-Resident Holder’s Weed Points Shares will be subject to withholding tax under the Tax Act at a rate of 25% unless the rate is reduced under the provisions of an applicable income tax treaty or convention. In the case of a beneficial owner of dividends who is a resident of the United States for purposes of the *Canada-US Tax Convention (1980)* and who is entitled to the benefits of that treaty, the rate of withholding will generally be reduced to 15% (or 5% in the case of a company beneficially owning at least 10% of Weed Points’ voting shares). Non-Resident Holders should consult their own tax advisors in this regard.

Exchange of PUF Shares for Weed Points Shares

PUF Shares held by Non-Resident Holders, other than Dissenting Non-Resident Holders, as defined below, will be exchanged for Weed Points Shares as part of the Arrangement. Such exchange will occur on a tax-deferred basis, unless the Non-Resident Holder chooses to recognize a capital gain or capital loss as described in the following paragraph.

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on a disposition or deemed disposition of a PUF Share, unless: (i) the PUF Share is “taxable Canadian property” to the Non-Resident Holder for purposes of the Tax Act; and (ii) the Non-Resident Holder is not entitled to an exemption under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident. Generally, a PUF Share will not constitute taxable Canadian property of a Non-Resident Holder at the time of disposition provided that such share is listed on a designated stock exchange (which includes the CSE) at that time, unless at any time during the 60-month period immediately preceding that time: (i) one or any combination of (a) the Non-Resident Holder, (b) persons with whom the Non-Resident Holder does not deal at arm’s length, and (c) partnerships in which the Non-Resident Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships, owned 25% or more of the issued shares of any class or series of the capital stock of PUF, and (ii) more than 50% of the fair market value of such share was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource property (as defined in the Tax Act), timber resource property (as defined in the Tax Act), and options in respect of, or interests in, or civil law rights in, any such properties (whether or not such property exists). In the event the PUF Shares are “taxable Canadian property” to the Non-Resident Holder and the Non-Resident Holder chooses to recognize a capital gain (or capital loss), the consequences to such Non-Resident Holder will be the same as described above under the heading *Holders Resident in Canada*.

Non-Resident Holders who dispose of PUF Shares that are deemed to be “taxable Canadian property” (as defined in the Tax Act) should consult their own tax advisors concerning the Canadian income tax consequences of the disposition and the potential requirement to file a Canadian income tax return depending on their particular circumstances.

Dissenting Non-Resident Holders

A Non-Resident Holder who exercises Dissent Rights in respect of the Arrangement (a “**Dissenting Non-Resident Holder**”) and disposes of PUF Shares to PUF in consideration for cash payment from PUF will realize a dividend and capital gain or loss in the same manner as discussed above under *Holders Resident in Canada - Dissenting Resident Holders*.

Any deemed dividend received by a Dissenting Non-Resident Holder will be subject to Canadian withholding tax as described above under *Taxation of Dividends*.

A Dissenting Non-Resident Holder will generally not be subject to income tax under the Tax Act in respect of any capital gain realized on a disposition of PUF Shares pursuant to the exercise of their Dissent Rights unless such PUF Shares are considered to be “taxable Canadian property”, as discussed above under *Holders Not Resident in Canada – Exchange of PUF Shares for Weed Points Shares*, to such Dissenting Non-Resident Holder that is not exempt from tax under the Tax Act pursuant to the terms of an applicable income tax convention between Canada and the country in which the Dissenting Non-Resident Holder is resident. Dissenting Non-Resident Holders whose PUF Shares may constitute “taxable Canadian property” should consult their own tax advisors.

This summary is of a general nature only, and is not exhaustive of all possible Canadian federal income tax considerations. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any Holder. Accordingly, Holders should consult their own tax advisors for advice as to the income tax consequences to them of the Arrangement in their particular circumstances.

RIGHTS OF DISSENT

Dissenters' Rights

Pursuant to the terms of the Interim Order and the Plan of Arrangement, the Company has granted the PUF Shareholders who object to the Arrangement Resolution the right to dissent (the “**Dissent Right**”) in respect of the Arrangement. A Dissenting Shareholder will be entitled to be paid in cash the fair value of the Dissenting Shareholder’s PUF Shares so long as the dissent procedures are strictly adhered to. The Dissent Right is granted in Article 5 of the Plan of Arrangement. **A registered Dissenting Shareholder who intends to exercise the Dissent Right is referred to the full text of Sections 237 to 247 of the BCBCA which is attached as Appendix D to this Circular.**

A PUF Shareholder who wishes to exercise his or her Dissent Right must give written notice of his or her dissent (a “**Notice of Dissent**”) to the Company at its head office at Suite 804 - 750 West Pender Street, Vancouver, British Columbia, V6C 2T7, marked to the attention of the CEO, by either delivering the Notice of Dissent to the Company at least two days before the Meeting or by mailing the Notice of Dissent to the Company by registered mail post marked not later than two days before the Meeting.

The giving of a Notice of Dissent does not deprive a Dissenting Shareholder of his or her right to vote at the Meeting on the Arrangement Resolution. However, the procedures for exercising Dissent Rights given in **Appendix D** must be strictly followed as a vote against the Arrangement Resolution or the execution or exercise of a proxy voting against the Arrangement Resolution does not constitute a Notice of Dissent.

PUF Shareholders should be aware that they will not be entitled to exercise a Dissent Right with respect to any PUF Shares if they vote (or instruct or are deemed, by submission of any incomplete proxy, to have instructed his or her proxy holder to vote) in favour of the Arrangement Resolution. A Dissenting Shareholder may, however, vote as a proxyholder for a PUF Shareholder whose proxy requires an affirmative vote on the Arrangement Resolution, without affecting his or her right to exercise the Dissent Right.

In the event that a PUF Shareholder fails to perfect or effectively withdraws its claim under the Dissent Right or forfeits its right to make a claim under the Dissent Right, each PUF Share held by that PUF Shareholder will thereupon be deemed to have been exchanged in accordance with the terms of the Arrangement as of the Effective Date.

PUF Shareholders who wish to exercise Dissent Rights should review the dissent procedures described in Appendix D and seek legal advice, as failure to adhere strictly to the Dissent Right requirements will result in the loss or unavailability of any right to dissent.

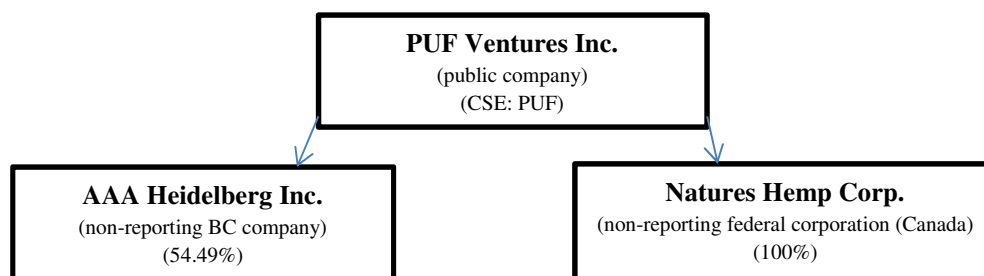
INFORMATION CONCERNING THE COMPANY

Name, Address and Incorporation

The Company was incorporated on June 24, 2004 under the laws of the Province of British Columbia under incorporation number BC0698428. On July 20, 2004, the Company changed its name from 0698428 BC Ltd. to High Ridge Resources Inc. On January 1, 2010, the Company changed its name from High Ridge Resources Inc. to New High Ridge Resources Inc. On February 7, 2011, the Company changed its name from New High Ridge Resources Inc. to Newton Gold Corp. On November 7, 2013, the Company changed its name from Newton Gold Corp. to Chlormet Technologies, Inc. On November 13, 2015, the Company changed its name from Chlormet Technologies, Inc. to PUF Ventures Inc. The Company’s head office and registered and records office is located at Suite 804 - 750 West Pender Street, Vancouver, British Columbia, V6C 2T7.

Intercorporate Relationships

The following chart sets out the subsidiaries of the Company, jurisdiction of incorporation and percentage ownership by the Company of such subsidiary:



AAA Heidelberg Inc. – On May 8, 2017, the Company acquired a majority interest, owning 54.49% of AAA Heidelberg. See *Information Concerning the Company – Business and History of the Company - AAA Heidelberg Inc.*

Natures Hemp Corp. – On October 12, 2017, the Company acquired a 100% interest, owning 1,962 common shares of Natures Hemp. See *Information Concerning the Company - Business and History of the Company – Natures Hemp Corp.* below.

Available Information

The Company files reports and other information with Canadian provincial securities commissions. These reports and information are available to the public free of charge on PUF’s SEDAR profile at www.sedar.com.

Comparative Market Prices

Effective June 19, 2014, The PUF Shares listed and commenced trading on the CSE under the symbol “PUF”. The following tables set forth information relating to the trading of the PUF Shares on the CSE for the twelve-month period preceding the date of this Circular.

Month	High (\$)	Low (\$)	Volume
June 2016 ⁽¹⁾	0.08	0.015	12,341,037
July 2016	0.07	0.045	1,206,464
August 2016	0.11	0.055	5,460,581
September 2016	0.28	0.08	15,819,466
October 2016	0.39	0.20	13,482,159
November 2016	0.33	0.225	7,993,368
December 2016	0.28	0.20	3,769,700
January 2017	0.35	0.24	8,107,569
February 2017	0.47	0.28	14,900,089
March 2017	0.395	0.28	6,788,132
April 2017	0.415	0.335	7,804,640
May 2017	0.415	0.31	4,903,157
June 2017	0.44	0.33	7,788,360
July 2017	0.37	0.32	4,908,477
August 2017	0.42	0.35	4,326,573
September 2017	0.65	0.40	15,789,886
October 1 – 19, 2017	0.61	0.48	8,286,505

(1) Effective June 28, 2016, the Company completed a share consolidation on the basis of one new PUF Share for every 4 old PUF Shares. This table includes post-consolidated figures.

Prior Sales

The following table contains details of the prior sales of the securities of the Company within the 12 months prior to the date of this Circular.

Date Issued	Number of Securities ⁽¹⁾	Issue Price Per Common Share	Aggregate Issue Price	Reason for Issuance
Aug. 15/16	4,062,000 PUF Shares	\$0.05	\$203,100	private placement
Aug. 15/16	4,062,000 PUF Warrants	\$0.075	0	private placement
Aug. 15/16	202,800 PUF Warrants (finder's)	\$0.075	0	finder's fee
Aug. 19/16	3,470,260 PUF Shares	\$0.05	0	debt settlements
Sept. 22/16	1,400,000 PUF Options	\$0.235	0	stock option grants
Oct. 3/16	125,000 PUF Shares	\$0.20	\$25,000	stock option exercise
Oct. 4/16	375,000 PUF Shares	\$0.20	\$75,000	stock option exercises
Oct. 12/16	50,000 PUF Shares	\$0.20	\$10,000	stock option exercise
Oct. 12/16	125,000 PUF Shares	\$0.30	\$37,500	warrant exercises
Oct. 14/16	112,000 PUF Shares	\$0.30	\$33,600	warrant exercise
Nov. 4/16	1,545,000 PUF Shares	\$0.20	\$309,000	private placement
Nov. 4/16	1,545,000 PUF Warrants	\$0.25	0	private placement
Nov. 4/16	67,500 PUF Warrants (finder's)	\$0.25	0	finder's fee
Nov. 4/16	260,000 PUF Shares (flow-through)	\$0.25	\$65,000	private placement
Nov. 4/16	36,000 PUF Shares	\$0.30	\$10,800	warrant exercise
Dec. 16/16	380,000 PUF Shares	\$0.075	\$28,500	warrant exercise
Dec. 20/16	22,400 PUF Shares	\$0.075	\$1,680	warrant exercise
Dec. 22/16	500,000 PUF Shares	\$0.075	\$37,500	warrant exercise
Jan. 17/17	100,000 PUF Shares	\$0.075	\$7,500	warrant exercise
Jan. 24/17	975,000 PUF Options	\$0.265	0	stock option grants
Jan. 25/17	38,400 PUF Shares	\$0.075	\$2,880	warrant exercise
Feb. 17/17	300,000 PUF Shares	\$0.235	\$70,500	stock option exercises
Feb. 28/17	927,750 PUF Shares	\$0.30	\$278,325	warrant exercises
Mar. 3/17	37,500 PUF Shares	\$0.40	\$15,000	stock option exercise
Mar. 10/17	7,656,500 PUF Shares	\$0.25	\$1,914,125	private placement
Mar. 10/17	7,656,500 PUF Warrants	\$0.40	0	private placement
Mar. 10/17	299,370 PUF Warrants (finder's)	\$0.40	0	finder's fee
Apr. 4/17	100,000 PUF Shares	\$0.34	\$34,000	stock option exercise
Apr. 4/17	16,000 PUF Shares	\$0.075	\$1,200	warrant exercise
Apr. 4/17	33,750 PUF Shares	\$0.30	\$10,125	warrant exercise
Apr. 5/17	480,000 PUF Shares	\$0.075	\$36,000	warrant exercise
Apr. 5/17	50,000 PUF Shares	\$0.30	\$15,000	warrant exercise
Apr. 18/17	25,000 PUF Shares	\$0.075	\$1,875	warrant exercise
Apr. 18/17	30,000 PUF Shares	\$0.30	\$9,000	warrant exercise
May 4/17	59,000 PUF Shares	\$0.075	\$4,425	warrant exercises
May 4/17	50,000 PUF Shares	\$0.30	\$15,000	warrant exercise
May 8/17	500,003 PUF Shares	\$0.40	0	share exchange agreement

Date Issued	Number of Securities⁽¹⁾	Issue Price Per Common Share	Aggregate Issue Price	Reason for Issuance
May 8/17	12,500 PUF Shares	\$0.075	\$937.50	warrant exercise
May 8/17	53,750 PUF Shares	\$0.30	\$16,125	warrant exercises
May 12/17	50,000 PUF Shares	\$0.30	\$15,000	warrant exercises
May 24/17	60,000 PUF Shares	\$0.075	\$4,500	warrant exercise
June 9/17	280,000 PUF Shares	\$0.075	\$21,000	warrant exercises
June 9/17	216,250 PUF Shares	\$0.30	\$64,875	warrant exercises
June 16/17	300,000 PUF Shares	\$0.075	\$22,500	warrant exercise
June 28/17	100,000 PUF Shares	\$0.235	\$23,500	stock option exercise
July 21/17	50,000 PUF Shares	\$0.265	\$13,250	stock option exercise
Aug 21/17	50,000 PUF Shares	\$0.235	\$11,750	stock option exercise
Sept. 1/17	50,000 PUF Shares	\$0.30	\$15,000	warrant exercise
Sept. 1/17	100,000 PUF Shares	\$0.235	\$23,500	stock option exercise
Sept. 1/17	50,000 PUF Shares	\$0.265	\$13,250	stock option exercise
Sept. 5/17	100,000 PUF Shares	\$0.265	\$26,500	stock option exercise
Sept. 8/17	200,000 PUF Shares	\$0.235	\$47,000	stock option exercises
Sept. 8/17	135,000 PUF Shares	\$0.30	\$40,500	warrant exercises
Sept. 8/17	335,000 PUF Shares	\$0.075	\$25,125	warrant exercises
Sept. 14/17	50,000 PUF Shares	\$0.265	\$13,250	stock option exercise
Sept. 14/17	200,000 PUF Shares	\$0.075	\$15,000	warrant exercise
Sept. 15/17	55,000 PUF Shares	\$0.25	\$13,750	warrant exercise
Sept. 15/17	100,000 PUF Shares	\$0.30	\$30,000	warrant exercise
Sept. 19/17	25,000 PUF Shares	\$0.30	\$7,500	warrant exercise
Sept. 25/17	12,500 PUF Shares	\$0.30	\$3,750	warrant exercise
Sept. 25/17	152,000 PUF Shares	\$0.075	\$11,400	warrant exercise
Sept. 29/17	95,000 PUF Shares	\$0.25	\$23,750	warrant exercises
Sept. 29/17	231,500 PUF Shares	\$0.30	\$69,450	warrant exercises
Sept. 29/17	50,000 PUF Shares	\$0.40	\$20,000	warrant exercises
Oct. 3/17	1,700,000 PUF Shares	\$0.40	\$680,000	warrant exercises
Oct. 3/17	1,315,000 PUF Shares	\$0.30	\$394,500	warrant exercises
Oct. 3/17	25,000 PUF Shares	\$0.265	\$6,625	option exercise
Oct. 3/17	330,000 PUF Shares	\$0.25	\$82,500	warrant exercises
Oct. 3/17	448,000 PUF Shares	\$0.075	\$33,600	warrant exercises
Oct. 11/17	87,500 PUF Shares	\$0.30	\$26,250	warrant exercises
Oct. 12/17	1,200,000 PUF Shares	\$0.50	N/A	Share purchase ⁽²⁾
TOTAL:			\$5,067,272.50	

(1) Effective June 28, 2016, the Company completed a share consolidation on the basis of one new PUF Share for every 4 old PUF Shares. This table includes post-consolidated figures.

(2) The Company entered into a share purchase agreement dated Oct. 11/17 with the shareholders of Natures Hemp wherein, on October 12, 2017, the Company issued 1,200,000 PUF Shares at a deemed price of \$0.50 per PUF Share in exchange for 100% of the issued and outstanding common shares of Natures Hemp.

Dividends or Capital Distributions

The Company has not declared or paid any cash dividends or capital distributions on the PUF Shares during the two preceding years. For the immediate future, the Company does not envisage any earnings arising from which dividends could be paid. Any decision to pay dividends on PUF Shares in the future will be made by the Board on the basis of the earning, financial requirements and other conditions existing at such time.

Ownership of PUF Securities

As at the date of this Circular, the following table outlines the number of PUF securities owned or controlled, directly or indirectly, by each of the directors and officers of the Company, and each associate or affiliate of an insider of the Company, and each person acting jointly or in concert with the Company.

Name	Positions	PUF Shares	PUF Warrants	PUF Options
Derek Ivany	President, CEO, Director	2,017,000 ⁽¹⁾	725,000 ⁽¹⁾	150,000 ⁽¹⁾
Christopher P. Cherry	CFO	324,200 ⁽²⁾	60,000 ⁽²⁾	Nil
Christopher Hornung	Director	407,500	120,000	100,000
Jerry Habuda	Director	415,000	180,000	100,000
Joseph Perino	Director	240,000	90,000	100,000

- (1) Of these securities, 1,432,000 PUF Shares, 525,000 PUF Warrants and 150,000 PUF Options are held directly by Mr. Ivany, 560,000 PUF Shares, 200,000 PUF Warrants and 150,000 PUF Options are held by Elben Capital Corp., a company owned by Mr. Ivany, and 25,000 PUF Shares are held by Steve Ivany, brother of Mr. Ivany.
- (2) Of these securities, 50,000 PUF Shares are held directly by Mr. Cherry, and 274,200 PUF Shares and 60,000 PUF Warrants are held indirectly by Cherry Consulting Ltd., a company owned and operated by Mr. Cherry.

Business and History of the Company

The Company was incorporated on June 24, 2004 under the laws of the Province of British Columbia under incorporation number BC0698428. On July 20, 2004, the Company changed its name from 0698428 BC Ltd. to High Ridge Resources Inc. On January 1, 2010, the Company changed its name from High Ridge Resources Inc. to New High Ridge Resources Inc. On February 7, 2011, the Company changed its name from New High Ridge Resources Inc. to Newton Gold Corp. On November 7, 2013, the Company changed its name from Newton Gold Corp. to Chlormet Technologies, Inc. On November 13, 2015, the Company changed its name from Chlormet Technologies, Inc. to PUF Ventures Inc. The Company's head office and registered and records office is located at Suite 804 - 750 West Pender Street, Vancouver, British Columbia, V6C 2T7.

On March 1, 2006, the Company was listed and commenced trading on the TSX Venture Exchange under the symbol "CMT" until June 18, 2014. Effective June 19, 2014, the Company delisted from the TSX Venture Exchange and listed and commenced trading on the CSE under the symbol "PUF".

On July 16, 2015, the Company qualified to trade on the OTC Pink Sheets ("OTCPK") under the symbol "CHLMF" and has been made eligible for book-entry delivery and depository services of the Depository Trust Company to facilitate electronic settlement of transfers of its PUF Shares in the United States. This electronic method of clearing securities speeds up the receipt of stock and cash and therefore accelerates the settlement process for investors. On February 24, 2016, the Company changed its symbol on the OTCPK to "PUFXF". Since November 13, 2015, the Company has been trading on the Frankfurt Stock Exchange under the symbol "HR2P".

On March 26, 2014, the Company acquired a 16.5% interest in AAA Heidelberg, a private company located in Ontario, for cash of \$120,000. The Company signed a letter of intent ("LOI") with the principals of AAA Heidelberg whereby the Company was granted the exclusive option to acquire the balance of the 83.5% interest subject to certain conditions including the grant of an ACMPR (formerly MMPR) license and by issuing up to 18,350,000 PUF Shares subject to the escrow policies of the CSE. A share exchange agreement was finalized effective January 26, 2015 (the "Share Exchange Agreement"). On February 24, 2015, the Company issued the first tranche of 4,350,000 PUF Shares to the shareholders of AAA Heidelberg representing an additional 19.79% interest. On October 30, 2015, the Company issued the second tranche of 2,000,000 PUF Shares representing an additional 9.1% interest, which represented the Company's 45.39% ownership interest in AAA Heidelberg. On May 8, 2017, the Company issued a third tranche of 500,003 PUF Shares at a deemed price of \$0.40 per PUF Share representing an additional 9.1% interest. The transfer resulted in the Company currently owning a total of 54.49%

of AAA Heidelberg. AAA Heidelberg is in Stage 5 of 7 in its application for an ACMPR license from Health Canada. The Company has an option to acquire the balance of shares to own 100% of AAA Heidelberg upon receipt of the ACMPR license. For further details, see *AAA Heidelberg Inc.* below.

On November 26, 2014, the Company formed a subsidiary in Washington State in order to acquire rental property. On June 1, 2015, the Company completed the transaction on its target property of a 9.7 acre parcel of land and associated buildings in Whatcom County, Washington. The purchase price for the property was US\$1,200,000. Upon the closing of the property, a promissory note dated June 1, 2015 was signed to secure a mortgage on the property in the principal amount of US\$1,080,000 with interest at 5% per annum. Interest only payments are required monthly. The principal amount of the mortgage was due May 31, 2017.

On July 16, 2015, the Company's US subsidiary, PacCan Industries LLC converted its name and status to PacCan Real Estate Holdings Corporation. In April 2016, the Company sold the property at an amount equal to the outstanding mortgage.

The Company has done significant due diligence into its business plan for the rental property in Washington State; however, there may be unforeseen aspects to the business plan or changes to laws in Washington State that could materially affect the Company's business.

On May 12, 2015, the Company announced the closing of the acquisition of 100% of Weed Points. Weed Points is a Canadian vaporizer and electronic cigarette company which was registered federally under the CBCA located in Toronto, Ontario, and continued to the Province of British Columbia on June 23, 2017 under the BCBCA. Weed Points, owns the exclusive rights to the "1313" electronic cigarette brand, a medicinal marijuana mobile application technology, and several research and development projects. The purchase price for the Weed Points Shares was an aggregate of 7,000,000 PUF Shares of which 1,500,000 PUF Shares will be released subject to certain performance milestones being met. Finders' fees of 700,000 units of the Company were issued on closing.

On June 30, 2016, the Company announced the completion of a 4 for 1 share consolidation. As a result, 75,767,574 PUF Shares were reduced to 18,941,894 PUF Shares. The PUF Shares commenced trading on a consolidated basis on June 28, 2016 under the new CUSIP number 74530Q205.

On August 2, 2016, the Company acquired a 100% interest in the Lac Saint Simon Property in Quebec, Canada pursuant to a mineral property acquisition agreement with Thomas Clarke, as vendor and beneficial owner of the claims and issued 2,000,000 PUF Shares at a deemed price of \$0.065 per PUF Share for a total consideration of \$130,000. For further details, see *Exploration and Evaluation Properties - Lac Saint Simon, Quebec* below.

On August 15, 2016, the Company raised \$203,100 by way of a non-brokered private placement. A total of 4,062,000 units were issued at \$0.05 per PUF Share. Each unit consisted of one PUF Share and one transferable PUF Warrant exercisable at \$0.075 per PUF Share for a period of two years from the date of issuance. The Company paid finder's fees of \$4,920 and issued 202,800 finder's warrants having the same terms as the PUF Warrants. The net proceeds were to be used to complete the Company's AAA Heidelberg AMPR license application, expansion of the Weed Points 1313 brand of e-cigarettes and associated products, and for general working capital.

On August 19, 2016, the Company issued a total of 1,890,880 PUF Shares at a deemed price of \$0.05 per PUF Share representing a full year of interest-only payments totaling \$94,544, \$94,544 and 405,180 PUF Shares as finder's fees pursuant to the securing of a new private mortgage group that replaced the Company's then existing lender. Also, the Company concurrently completed debt settlements totaling \$58,710 by the issuance of 1,174,200 PUF Shares at a deemed price of \$0.05 per PUF Share to certain creditors for past consulting and other services provided to the Company. The total debt amount was \$173,514 and total of 3,470,260 PUF Shares were issued.

On November 4, 2016, the Company raised \$309,000 by way of a non-brokered private placement. A total of 1,545,000 units were issued at \$0.20 per PUF Share. Each unit consisted of one PUF Share and one transferable PUF Warrant exercisable at \$0.25 per PUF Share for a period of two years from the date of issuance. In addition, the Company raised \$65,000 by way of a flow-through common share non-brokered private placement. A total of 260,000 flow-through PUF Shares were issued at \$0.25 per PUF Share. The Company paid finder's fees of \$14,280 and issued 67,500 finder's warrants having the same terms as the PUF Warrants. The net proceeds were to be used

to complete the Company's AAA Heidelberg AMPR license application, expansion of the Weed Points 1313 brand of e-cigarettes and associated products, and for general working capital.

On March 10, 2017, the Company raised \$1,914,125 by way of a non-brokered private placement. A total of 7,656,500 units were issued at \$0.25 per PUF Share. Each unit consisted of one PUF Share and one transferable PUF Warrant exercisable at \$0.40 per PUF Share for a period of two years from the date of issuance. The Company paid finder's fees of \$74,843 and issued 299,370 finder's warrants having the same terms as the PUF Warrants. The net proceeds were to be used to complete the Company's AAA Heidelberg AMPR license application, expansion of the Weed Points 1313 brand of e-cigarettes and associated products, and for general working capital.

On June 1, 2017, the Company announced that through an exclusive joint venture agreement with industry leader Canopy Growth (TSX: WEED), it will join CraftGrow, a collection of high quality cannabis grown by a select and diverse set of producers made available through the Tweed Main Street website at www.Tweedmainstreet.com, which provides the Company with many benefits including a direct sales channel to the marketplace. The Company has an option to acquire the balance of shares to own 100% of AAA Heidelberg upon receipt of the ACMPR license. While it cannot guarantee nor estimate the timing of the issuance of a license to AAA Heidelberg, it is the Company's goal to become a leading supplier of medical marijuana in Canada. As was recently outlined in a Health Canada update, several improvements aimed at streamlining and expediting the application process under the ACMPR program have been implemented.

In the previous Health Canada framework, the Company successfully completed and exited Stage 4, the "Security Clearance" stage, and the most difficult milestone, in October 2015. The Company has been steadily progressing through Stage 5, the "Review" stage and has taken the necessary steps to enter Stage 6, the "Pre-Inspection" stage. With several recently announced corporate developments, the Company is updating its business plan to reflect its repositioning as a pure play cannabis producer. It is also taking steps to update its ACMPR application with Health Canada to include Canopy Growth Corp. as the Company's sole client.

Effective May 25, 2017, Health Canada abridged and amended the application process for prospective licensed producers. Under this new framework, the Company will submit a proof of readiness for the grow facility in London, Ontario, to Health Canada and await the "Issuance of License to Produce" (Stage 3). The Company is currently working with its ACMPR consultants on the finalization of remaining items and facility upgrades in advance of any potential request for inspection by Health Canada. Specific focus will be directed towards completing the following items:

- Installation of an air purification unit
- Renovation of office space and employee break areas
- Installation of final security systems
- Sanitization and purification of the facility
- Installation of perimeter security fencing
- Improving the building façade

On June 5, 2017, the Company announced that it had sold its Lac Saint Simon Property to Volt Energy Corp. ("Volt") (TSXV: VOLT) pursuant to a mineral property acquisition agreement dated June 1, 2017 with Volt. In consideration for the sale of 100% of the asset, the Company was granted 2.5 million common shares of Volt. See *Lac Saint Simon, Quebec* below for further information.

On June 27, 2017, the Company announced that it had received and subsequently provided responses to a status update request letter from Health Canada with respect to the readiness for licensing of its majority-owned AAA Heidelberg facility in London, Ontario.

On July 11, 2017, the Company announced the launch of its nutraceutical cannabidiol ("CBD") product line. Manufactured in the United States under stringent quality control adherence and derived from high quality industrial hemp, the Company aims to initially focus the distribution of the products in Canada and in Europe with a specific emphasis on Germany and Croatia. The Company will introduce the new CBD line to physicians and naturopathic practitioners in Europe. Initial product-testing phase in the German marketplace is expected to commence in the near future at which time the Company will unveil its CBD brand. For further information on CBD, see *Natures Hemp Corp.* below.

On July 12, 2017, the Company announced that it had executed a binding purchase and sale agreement whereby the Company will acquire the property immediately adjacent to its current AAA Heidelberg facility in London, Ontario, so as to increase its potential cultivation space by approximately 300%. The adjacent property has an equal footprint of half an acre and the Company estimates that this extra space will allow for a potential facility expansion to 35,000 square feet from its current 8,800 square feet. At this time, the Company will not be seeking an immediate amendment to its currently contemplated ACMPR application. Rather, if and when a license is granted, the option to substantially increase the facility scale will afford the Company a greater opportunity to grow additional specialty strains in conjunction with its recently consummated joint venture agreement with Canopy Growth as a member of its exclusive CraftGrow program.

On September 7, 2017, the Company announced its Plan of Arrangement with Weed Points and its intention to spin out its WeedBeacon proprietary technology, current app developments, databases, graphics, brochures and other marketing materials (the “Assets”) into Weed Points, subject to Court and PUF Shareholder approval, and announced the Meeting date.

On September 12, 2017, the Company announced the name change of Vapetronix Holdings Inc. to Weed Points and the Weed Points loyalty program targeting the emerging cannabis market. For further details, see *Information Concerning Weed Points – Business of Weed Points – History*.

On September 14, 2017, the Company announced an update on the AAA Heidelberg state-of-the-art production facility in London, Ontario. Mr. Ivany stated that he would be conducting a final on-site inspection with PUF’s engineers on September 15, 2017 to ensure that all final measures and requirements outlined by Health Canada have been fulfilled.

On September 27, 2017, the Company announced that it had agreed to a strategic partnership with the Richmond Valley Council, the local government in the Northern Rivers region of northeastern New South Wales, Australia, to construct a 1 million square-foot greenhouse operation, with large scale manufacturing, processing and office facilities for the cultivation, production and manufacture of medical cannabis and associated products in Australia. The agreement is between the Richmond Valley Council and PUF Ventures Australia, which shall be led by Mr. Michael Horsfall of Sydney, New South Wales, Australia as President and CEO. For further details, see *PUF Ventures Australia* below.

On September 29, 2017, the Company further announced an update on its Plan of Arrangement with Weed Points. See *Information Concerning Weed Points – History*.

On October 4, 2017, the Company announced an update on the progress made at its majority-owned AAA Heidelberg growing facility in London, Ontario and its proof of readiness submission to Health Canada. Since June 27, 2017, when the Company announced a facility update, the management team has been working with David Hyde and other consultants to complete the buildout of the facility in preparation for notice to Health Canada. While the bulk of the items have been finished, there was a need to update the overall security plan. For further details, see *AAA Heidelberg Inc.* below.

On October 11, 2017, the Company announced the acquisition of a hemp-based food and medicinal product line and entered into an agreement to purchase Natures Hemp, a private company developing proprietary hemp base food and medicinal products with a major Canadian university. On October 12, 2017, the Company announced that it had completed the acquisition of Natures Hemp. Pursuant to the share purchase agreement, the Company purchased 100% of the issued and outstanding common shares of Natures Hemp in consideration of the issuance of a total of 1,200,000 PUF Shares (equivalent to a value of CAD\$600,000) which was distributed on a *pro rata* basis to the shareholders of Natures Hemp at a deemed price of \$0.50 per share. For further details, see *Natures Hemp Corp.* below.

On October 18, 2017, the Company announced that it has entered into a strategic partnership with MYM Nutraceuticals Inc. (CSE:MYM) (“MYM”), an innovative company focused on acquiring Health Canada licenses to produce and sell high-end organic medicinal cannabis supplements and topical products, for the construction of a one million square foot greenhouse facility in northern New South Wales, Australia called the Northern Rivers Project. The Company expects to file the formal cultivation application with the Australian Office of Drug Control shortly. The construction of the facility will be completed in stages at an estimated total cost of CAD\$50 million.

The first phase of the project is to cover approximately 300,000 square feet. The Company will seek financing to cover the costs of the project from both local and international partners.

The Northern Rivers Project includes a land purchase option agreement with the Richmond Valley Council for a 27-hectare parcel of land near the town of Casino in northern New South Wales, Australia. This is a landmark agreement whereby the council will provide the land for five years at no cost, with an option for Northern Rivers Project to purchase the parcel on favourable terms after the fifth year. The Richmond Valley Council has been extremely supportive of Northern Rivers Project's growth strategy and vision and is committed to improving local economic and employment opportunities. The purchase agreement and associated partnership with the Richmond Valley Council will allow the Northern Rivers Project to enter the cannabis market on a solid footing with the full support of the local political and governing bodies.

AAA Heidelberg Inc.

On March 26, 2014, the Company acquired a 16.5% interest in AAA Heidelberg, a private company located in Ontario, for cash of \$120,000. The Company signed an LOI with the principals of AAA Heidelberg whereby the Company was granted the exclusive option to acquire the balance of the 83.5% interest subject to certain conditions including the grant of an ACMPR (formerly MMPR) license and by issuing up to 18,350,000 PUF Shares subject to the escrow policies of the CSE. The Share Exchange Agreement was finalized effective January 26, 2015. On February 24, 2015, the Company issued the first tranche of 4,350,000 PUF Shares to the shareholders of AAA Heidelberg representing an additional 19.79% interest. On October 30, 2015, the Company issued the second tranche of 2,000,000 PUF Shares representing an additional 9.1% interest, which represented the Company's 45.39% ownership interest in AAA Heidelberg. On May 8, 2017, the Company issued a third tranche of 500,003 PUF Shares at a deemed price of \$0.40 per PUF Share representing an additional 9.1% interest. The transfer resulted in the Company now owning a majority interest in AAA Heidelberg, representing 54.49% of AAA Heidelberg. AAA Heidelberg is in Stage 5 of 7 in its application for an ACMPR license from Health Canada. The Company has an option to acquire the balance of shares to own 100% of AAA Heidelberg upon receipt of the ACMPR license.

On November 3, 2014, the Company provided AAA Heidelberg with a \$160,000 loan. On February 20, 2015, the Company guaranteed a first mortgage to a third party in the amount of \$400,000 on behalf of AAA Heidelberg that was due on July 7, 2015. On August 6, 2015, the Company agreed to pay the third party \$4,000 in interest plus a bonus of \$1,600 for a two month extension of the mortgage on behalf of AAA Heidelberg. The third party had the option to extend the mortgage for another year. Upon doing so, the Company paid the third party \$100,000 to reduce the principal balance of the mortgage by \$64,000 and pre-pay the interest on the mortgage for a one year period along with a bonus of \$60,000. This loan is secured by all the assets of AAA Heidelberg and subordinate only to a first mortgage to the third party in the amount of \$400,000. As at March 31, 2016, the total amount of the loan was \$332,710. The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement by a cancellation of PUF Shares otherwise issuable with a fair value of \$332,710. During the year ended December 31, 2016, the Company issued a total of 1,890,880 units of the Company with a fair value of \$0.05 per unit representing a full year of interest totaling \$94,544 as well as 405,180 units as a finder's fee for securing another mortgagor. During the year ended December 31, 2016, the Company also advanced \$30,000 in cash to cover certain expenditures of AAA Heidelberg. At December 31, 2016, the total amount of the loan receivable from AAA Heidelberg was \$477,514. The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement by a cancellation of PUF Shares otherwise issuable with a fair value of \$477,514. During the period ended September 30, 2016, the Company issued a total of 1,890,880 PUF Shares at a deemed value of \$0.05 per PUF Share representing a full year of interest-only payments totaling \$94,544 and 405,180 PUF Shares as finder's fees valued at \$26,337, pursuant to the securing of a new private mortgage group that replaced the Company's existing lender. The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement by a cancellation of PUF Shares otherwise issuable with a fair value of \$453,591.

The Company has not finalized the transaction with AAA Heidelberg. The Company does not know, nor can it predict the timeframe for AAA Heidelberg to complete the ACMPR application process and receive a response from Health Canada; accordingly, there is no certainty that AAA Heidelberg will be granted a license under ACMPR, or that a transaction will be completed.

AAA Heidelberg currently owns a secure 8,800 square foot commercial building and land located in London, Ontario. Since December 2013, AAA Heidelberg has had an application pending with Health Canada for a new ACMPR license for the production of up to 1,320 pounds of marijuana in the first year.

As of April 1, 2014, new producers will be required to be licensed by Health Canada and to conform to strict new regulations. On April 2, 2014, the Company received its final copy of an independent economic analysis on the Company's entry into Canada's emerging medical marijuana industry. The report states "the new regulations suggest that the medical marijuana industry will be put on the same footing as the pharmaceutical manufacturing sector. The regulations are quite onerous in terms of production distribution and security standards. Health Canada will only issue licenses to producer/distributors that they deem capable of meeting these detailed regulatory standards. That suggests that Canada will very rapidly evolve from a market of thousands of informal producers to one of a much smaller number of sophisticated producers.

On May 15, 2014, the Company announced that Betty Quon was hired as AAA Heidelberg's General Manager for its London, Ontario facility. Ms. Quon is responsible for all aspects of AAA Heidelberg's ongoing permit application with Health Canada in order to streamline the permitting process. Ms. Quon's skill set will enhance AAA Heidelberg's ability to both attract the talent and build a team that can execute their business strategy.

On June 12, 2014, the Company announced that David Hyde and Associates was retained by AAA Heidelberg to assist in completing all of the security protocols required by Health Canada in order to be granted a license under ACMPR. David Hyde and Associates is uniquely qualified to assist AAA Heidelberg as they have worked with other licensed producers that have already received a license under ACMPR.

On June 23, 2014, the Company announced that AAA Heidelberg has initiated its Doctor Outreach Program to identify and create relationships with the doctors and clinics in southern Ontario that are pro medical marijuana, in advance of the issuance of an ACMPR license.

In conjunction with the Doctor Outreach Program, AAA Heidelberg has hired David Bard as its Director of Business Development. Mr. Bard will utilize his considerable experience in the pharmaceutical and medical device industry. This experience has given him unique relationships with doctors and clinics in southern Ontario to which he can ultimately market AAA Heidelberg and the various strains of medical marijuana that AAA Heidelberg plans to grow.

On September 24, 2014, the Company announced that AAA Heidelberg had been notified by Health Canada that it has passed the Enhanced Screening stage and is currently in the Security Stage. In this stage, the principals of AAA Heidelberg are being subject to detailed background checks. Upon passing the Security Stage, AAA Heidelberg anticipates a review and then a pre-license inspection.

To this end, completion of the build-out of the facility continues. The facility will feature automated systems for temperature, light, humidity, carbon dioxide, and special ventilation for bacteria control. The entire facility has been planned to meet the highest level of pharmaceutical standards.

As announced on November 12, 2014, the last major remaining interrelated components of the build-out were completed, being the HVAC and Surna Water Chilled Climate Control equipment. Remaining work includes the installation and commissioning of the climate control interfaces and computer systems.

On July 12, 2017, the Company announced that it had executed a binding purchase and sale agreement whereby the Company will acquire the property immediately adjacent to its current AAA Heidelberg facility in London, Ontario, so as to increase its potential cultivation space by approximately 300%. The adjacent property has an equal footprint of half an acre and the Company estimates that this extra space will allow for a potential facility expansion to 35,000 square feet from its current 8,800 square feet. At this time, the Company will not be seeking an immediate amendment to its currently contemplated ACMPR application. Rather, if and when a license is granted, the option to substantially increase the facility scale will afford the Company a greater opportunity to grow additional specialty strains in conjunction with its recently consummated joint venture agreement with Canopy Growth as a member of its exclusive CraftGrow program.

On September 14, 2017, the Company announced an update on the AAA Heidelberg state-of-the-art production facility in London, Ontario. Mr. Ivany stated that he would be conducting a final on-site inspection with PUF's

engineers on September 15, 2017 to ensure that all final measures and requirements outlined by Health Canada have been fulfilled.

On October 4, 2017, the Company announced an update on the progress made at its majority-owned AAA Heidelberg growing facility in London, Ontario and its proof of readiness submission to Health Canada. Since June 27, 2017, when the Company announced a facility update, the management team has been working with David Hyde and other consultants to complete the buildout of the facility in preparation for notice to Health Canada. While the bulk of the items have been finished, there was a need to update the overall security plan.

Since late June 2017, the Company has completed the following items and facility upgrades:

- Installation of an air purification unit
- Renovation of office space and employee break areas
- Sanitization and purification of the facility
- Installation of perimeter security fencing

The final step is the security system installation.

The PUF management team is committed to installing the most up-to-date growing and security technologies in its Canadian and international facilities. To meet this objective, the team recently traveled to Smith Falls, Ontario to visit Canopy Growth's Tweed operation which is housed in the famous former Hershey Chocolate Factory located at 1 Hershey Drive. The overall operation comprises 40 acres of land with over 500,000 sq. ft. of available space. Tweed occupies 168,000 sq. ft. of licensed production space, plus office space where Canopy Growth's head office is located. As the leader in cannabis production, Tweed's operation is lean, automated and data-driven, with an R&D facility, oil extraction infrastructure, and in-house lab. Precise climate controlled rooms for each stage of cannabis production, from clone to cured bud, allows for the highest quality and widest variety of product in the sector.

The Company is now focused on building a global brand with expansion into the European and Australian markets, and as the Canadian government moves closer to legalizing recreational use of cannabis, the Company will continue to move forward creating shareholder value by also expanding the number of market verticals the Company is involved in.

The Company does not know nor can it predict the timeframe for AAA Heidelberg to complete the ACMPR application process and receive a response from Health Canada; accordingly, there is no certainty that AAA Heidelberg will be granted a license under ACMPR, or that the transaction will be completed.

Should AAA Heidelberg be granted a license, the Company intends to complete the transaction by issuing the remaining PUF Shares to the shareholders of AAA Heidelberg.

Exploration and Evaluation Properties

Until recently, the Company was classified as an exploration stage company with respect to its exploration and evaluation of assets. Based on the information available to date, the Company has not yet determined whether its exploration and evaluation assets contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the ability of the Company and their joint venture partners to obtain the necessary financing to successfully complete their development, and upon future profitable production or disposition thereof. Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company is now classified under the industry classification: consumer products – biotechnology/pharmaceuticals.

Lac Saint Simon Property, Quebec

On August 2, 2016, the Company announced that it had acquired a 100% interest in certain mineral claims located in west central Quebec, Canada, and is situated approximately 2 km from the boundary of Nemaska Lithium's Whabouchi Project, known as the Lac Saint Simon Lithium (the "**Lac Saint Simon Property**") through the issuance of 2,000,000 PUF Shares valued at \$0.065 per PUF Share for total value of \$130,000.

On January 12, 2017, the Company announced that it had entered into a confidentiality agreement with a publicly traded natural resource company regarding the potential sale of the Lac Saint Simon Property, as the potential strategic disposition of this property will repatriate value for the PUF Shareholders and will also streamline operational focus, positioning the Company as a pure-play bio medical cannabis company.

On April 12, 2017, the Company announced that it was in the process of finalizing negotiations for the sale of the Lac Saint Simon Property. A National Instrument 43-101 compliant technical report was currently being authorized and completed, which encompasses the preliminary reconnaissance exploration program that was conducted along with the recently completed airborne geophysical survey. According to Nemaska, the Whabouchi Project is one of the most important spodumene lithium hard rock deposits in the world both in volume and grade. A mineral reserve estimate prepared by Met-Chem using the updated Mineral Resource block model suggests that Whabouchi hosts an estimated 20 million tonnes of Proven and Probable Reserves with a grade of 1.53% Li₂O Open Pit and 7.3 million tonnes of Proven and Probable Reserves with a grade of 1.28% Li₂O Underground. The mineralization hosted on the Whabouchi property is not necessarily indicative of the mineralization hosted on the Company's Lac Saint Simon Property.

On June 5, 2017, the Company announced that it had sold its Lac Saint Simon Property to Volt pursuant to a mineral property acquisition agreement dated June 1, 2017 with Volt. In consideration for the sale of 100% of the asset, the Company was granted 2.5 million common shares of Volt.

Chuchi Property, British Columbia

The Company owns a 100% interest in certain mineral claims located in the Omineca Mining Division of British Columbia, referred to as the Chuchi Property.

In December 2008, the Company wrote down the recorded cost of the Chuchi Property to nil. On March 17, 2014, the Company announced that it received the decision in the arbitration hearings between the Company and the vendors of the Chuchi Property. The arbitration stemmed from the Company allowing a number of claims to lapse in 2007 and subsequently acquiring certain claims covering a portion of the area of the lapsed claims at a later date from a third party. The arbitrator in the case ruled in favour of the Company's claim that the 3% net smelter royalty ("NSR") that was attached to the original claims (that were dropped) does not apply to the disputed ground. As such, the vendors of the Chuchi Property own a 3% NSR on only the five core claims to the Chuchi Property, which cover only 1,695.94 hectares of the total 5,365.24 hectares that constitute the Chuchi Property. In addition, the vendors' claim for damages for breach of contract by reason of the forfeiture of mineral claims acquired under the agreement was dismissed, and the vendors must immediately remove the notice to third party that they had previously filed with the Mining Recorder's Office on the records of the mineral claims. The Company must pay the vendors a total of \$40,351 (representing the 2012 and 2013 advance royalty payments plus prejudgment interest) which was paid on June 27, 2014, and the Company is also required to continue to pay to the vendors an advance royalty payment in the amount of \$20,000 per year on or before October 25 in each subsequent year that the Company holds any interest in the five core mineral claims.

On November 19, 2014, the Company announced that it received confirmation from Kiska Metals Corporation ("**Kiska**") (formerly listed on the TSX Venture Exchange and now delisted) of their intent to enter into a definitive agreement for an option of the Company's Chuchi Property. The definitive agreement was finalized on January 15, 2015. To earn a 100% interest in the Chuchi Property, Kiska will be required to deliver to the Company 1,000,000 common shares (or the equivalent cash value at Kiska's election) as follows:

- 200,000 common shares on signing the option agreement (received);
- 200,000 common shares on the first anniversary of the option agreement;
- 250,000 common shares on the fourth anniversary of the option agreement; and
- 350,000 common shares on the seventh anniversary of the option agreement.

Until such time as the earn-in is completed, the Company will remain as the underlying owner of the Chuchi Property; however, Kiska will incur all ongoing costs of the exploration and annual maintenance of the Chuchi Property, including payment of the advance royalty payment of \$20,000 per year paid on or before October 25 of each year. Kiska paid the advance royalty payment due October 25, 2014.

The option agreement will provide that the Company is to receive a percentage of any payments received by Kiska pursuant to any option or earn-in agreements entered into by Kiska in respect of the Chuchi Property (but not including any Kiska operator fees) during the time the option is exercised and on or before the third anniversary date of the exercise of the option as follows:

- 30% of the payments received by Kiska in year 1 of any future agreement;
- 20% of the payments received by Kiska in year 2 of any future agreement; and
- 10% of the payments received by Kiska in year 3 of any future agreement.

During the year ended December 31, 2016, Kiska accelerated the option agreement and issued the Company 800,000 common shares of Kiska to receive a 100% interest in the Chuchi Property. As a result, the Company has recorded an impairment of \$194,454 during the year ended December 31, 2015.

On January 15, 2015, the Company finalized an agreement with Kiska for the option of the Company's Chuchi Property. During the six months ended June 30, 2016, the Company received an additional 800,000 shares of Kiska. During the year ended December, 2016, the Company sold 1,000,000 shares of Kiska for gross proceeds of \$50,000.

PUF Ventures Australia Pty Ltd.

On September 27, 2017, the Company announced that it has agreed to a strategic partnership with the Richmond Valley Council, the local government in the Northern Rivers region of northeastern New South Wales, Australia, to construct a 1 million square-foot greenhouse operation, with large scale manufacturing, processing and office facilities for the cultivation, production and manufacture of medical cannabis and associated products in Australia. The agreement is between the Richmond Valley Council and PUF Ventures Australia Pty Ltd. ("PVA"), which shall be led by Mr. Michael Horsfall of Sydney, New South Wales, Australia as President and CEO. The construction of the facility is expected to be completed in stages at an estimated total cost of CAD\$50 million. The first phase of the project is to cover approximately 300,000 square-feet. The first crop, based on current construction timelines, permitting and various Australian approvals, is expected to be planted in the fourth quarter of 2018. The Company will seek financing to cover the costs of the project from both local and international partners. The Company's own internal calculations and analysis suggest these prices will hold or likely increase due to the higher margin high quality medical grade cannabis grown. Total operating costs are estimated to be between 20-25% of revenue.

PVA has agreed to a purchase option agreement with the Richmond Valley Council for a 27-hectare parcel of land near the town of Casino in northern New South Wales, Australia. This is a landmark agreement whereby the council will provide the land for five years at no cost, with an option for PVA to purchase the parcel on favorable terms after year five. The cost of the parcel at year five will be based on the current value of the land (2017) and not the re-assessed value at a future date. In addition, PVA will be entitled to credits for money spent on land infrastructure. The Richmond Valley Council has been extremely supportive of PVA's growth strategy and vision and is committed to improving local economic and employment opportunities. The purchase agreement and associated partnership with the Richmond Valley Council will allow PVA to enter the cannabis market on a solid footing with the full support of the local political and governing bodies.

Coinciding with the formation of PVA, the Company has appointed Mr. Michael Horsfall as President and CEO of PVA. Mr. Horsfall has worked extensively as a strategic business consultant with various Australian and internationally listed companies and brings over 20 years' experience to the role. He has been responsible for successfully leading pursuit and capture teams across government and whole-of-government (WOG) IT outsourcing projects, at both the federal and state level. Mr. Horsfall has won numerous awards for excellence for his work with the Kosovo Safehavens & Immigration Detention Centres. He has worked with companies on M&A activities and large scale program recovery, and as a qualified Programme Director he has managed and advised on some of the largest programs within the Australian government. Mr. Horsfall has founded and been involved in numerous companies in the information technology, consulting, finance, hospitality and real estate sectors. He brings with him an extensive network and relationships combined with an in-depth understanding of government, which he will leverage to full advantage.

The strategic partnership between PVA and the Richmond Valley Council accelerates PUF's aggressive global expansion strategy. The cannabis cultivation application protocols in Australia are similar to the Health Canada ACMPR process where requirements are broad and restrictive, and substantial funding is required. It includes an extensive police check, plus strict regulations on the type and amount that security cultivation facilities will require.

PVA will file its formal application with the Office of Drug Control in the coming weeks and is working diligently toward becoming a licensed producer in Australia.

Natures Hemp Corp.

On October 11, 2017, the Company announced the acquisition of a hemp-based food and medicinal product line and entered into an agreement to purchase Natures Hemp, a private company developing proprietary hemp base food and medicinal products with a major Canadian university. The Company believes that Natures Hemp, with their hemp-based food and medicinal products and plans for cultivation, is a natural fit with the overall strategy for the Company. The market for hemp-based products is growing at a phenomenal rate. Natures Hemp is currently working closely with senior levels of provincial and federal governments for its application for hemp cultivation and to secure development grants and loans for a new facility in Ontario. The facility will allow for greater product development, and processing and packaging new lines of food and other hemp-based products expected to be launched by the summer of 2018.

Natures Hemp is a private federal company based in Vancouver, B.C. and is currently in the process of applying for a license to cultivate hemp in Canada and one other international jurisdiction. It is also working with a major Canadian university, with the goal to develop proprietary methods cannabidiol (CBD) extraction from seeds and other parts of the plants, to create high quality oils and flours. In turn, Natures Hemp will use these products to create high quality and healthy hemp based food and medicinal products.

While hemp is traditionally known for its use in textiles due its long and strong fibers, it is the hemp seeds that are critical creating healthy food and medicinal products. Seeds are typically pressed to produce oil and the remaining byproduct is processed into a flour from which products like pasta, baked goods and other healthy foods can be created. Hemp seeds are being recognized as a superfood, like flax and chia seeds, because they are high in protein, contains 20 amino acids, and are also high in the fatty acids omega-3 and omega-6.

CBD is a natural compound found throughout the seeds, stalk and flowers of hemp plants. It is a cannabinoid that occurs naturally in significant quantities in hemp and, because it has shown to be non-psychoactive, is an appealing option for food and medicinal products. Scientific and clinical research is ongoing but early indications show that CBD is a potential treatment for patients looking for relief from inflammation, pain, anxiety, psychosis, seizures, spasms, and other conditions. Potential health benefits from hemp food products include weight suppressant (high in fiber), immune-system booster, and an ability to lower blood pressure and cholesterol.

Hemp and hemp derived CBD products are among the fastest growing segments in the cannabis industry. A recent article published in The Hemp Business Journal indicated an expected CBD consumer market of \$2.1 billion by 2020, which represents a 700% growth rate in CBD sales from current levels.

Source: <http://www.cannatech.news/2017/07/20/cbd-consumer-market-expected-reach-2-1-billion-2020/>

On October 12, 2017, the Company announced that it had completed the acquisition of Natures Hemp. Pursuant to the share purchase agreement, the Company purchased 100% of the issued and outstanding common shares of Natures Hemp in consideration of the issuance of a total of 1,200,000 PUF Shares (equivalent to a value of CAD\$600,000) which was distributed on a *pro rata* basis to the shareholders of Natures Hemp at a deemed price of \$0.50 per share.

Business of the Company Following the Arrangement

Following completion of the Arrangement, (i) Weed Points will hold the Assets transferred to it by PUF, (ii) Weed Points will become a reporting issuer in the Provinces of British Columbia, Alberta and Ontario (provided that at least one of the parties to the Arrangement has been a “reporting issuer”, as that term is defined in the *Securities Act* (Ontario) for at least 12 months prior to the Effective Date), and intends to apply for and meet the listing requirements on a Canadian stock exchange, (iii) each PUF Shareholder will continue to be a shareholder of the Company, (iv) all PUF Shareholders will have become shareholders of Weed Points, and (v) the Company will retain its working capital for its Assets, and remain listed on the Exchange and continue to trade under the trading symbol, PUF, as a consumer products – biotechnology/pharmaceuticals company. **There can be no guarantee that the Weed Points Shares will be listed on any stock exchange.**

Dividend Policy

The Company has not paid dividends on the PUF Shares since incorporation. The Company currently intends to retain all available funds, if any, for use in its business.

Directors and Officers

The directors and officers of the Company are as follows:

Derek Ivany	President, CEO and Director
Christopher P. Cherry	CFO
Christopher Hornung	Director
Jerry Habuda	Director
Joseph Perino	Director

The current directors and officers of the Company will continue to be the directors and officers of the Company upon completion of the Arrangement.

Material Contracts

Except for contracts entered into in the ordinary course of business, the only contract entered into by the Company in the last two years and which can be reasonably regarded as material to the Company are as follows:

1. Share Exchange Agreement dated January 26, 2015 among the Company, AAA Heidelberg and the shareholders of AAA Heidelberg.
2. Share Exchange Agreement dated April 2, 2015 among the Company, Weed Points and the shareholders of Weed Points regarding acquisition of Weed Points.
3. Mineral Property Acquisition Agreement dated July 21, 2016 between the Company and Thomas Clarke regarding acquisition of Lac Saint Simon Property.
4. Mineral Property Acquisition Purchase Agreement dated June 1, 2017 between the Company and Volt regarding sale of Lac Saint Simon Property to Volt.
5. Arrangement Agreement dated September 7, 2017, as amended October 11, 2017, between the Company and Vapetronix Holdings Inc. (now, Weed Points), including all schedules annexed thereto, a copy of which is attached as **Appendix B** to this Circular, and any amendment(s) or variation(s) thereto.
6. Share Purchase Agreement dated October 11, 2017 between the shareholders of Natures Hemp and the Company.

These material contracts are available at www.sedar.com.

INFORMATION CONCERNING WEED POINTS

Name, Address and Incorporation

Weed Points was incorporated pursuant to the CBCA on November 4, 2014 as Vapetronix Inc. under corporation number 907833-9. On June 23, 2017, Vapetronix Inc. continued from the federal jurisdiction to the jurisdiction of British Columbia and changed its name to Vapetronix Holdings Inc. On September 11, 2017, Vapetronix Holdings Inc. changed its name to Weed Points Loyalty Inc. and on September 14, 2017, was registered to do business as TechOneSixty. Weed Points is currently a private company in which PUF has a minority interest, with its registered and records office located at Suite 804 - 750 West Pender Street, Vancouver, British Columbia, V6C 2T7.

Business of Weed Points

Weed Points endeavors to serve as the first loyalty program that targets the emerging cannabis markets penetrating both the B2B and B2C marketplaces. By leveraging the use of technology and expertise of its management team to create a service offering that will allow producers, patients, and consumers to interact and define the future face of cannabis commerce globally.

Weed Points will engage licensed producers and ACMPR applicants in order to ensure that industry participants are prepared for the future demands of patients and consumers. By establishing a key technological presence between producers and consumers, Weed Points intends to become the go-to services platform that provides accurate and up-to-date information about the array of products available, real-time delivery tracking, consumer reviews of available product, and continue to evolve to suit the needs of the marketplace. Weed Points endeavors to become the premier source for company-specific cannabis-related information, educating patients and consumers, and connecting them with the licensed producers and specialized products being offered.

As part of its proprietary service offering the Weed Points executive team has been cultivating experts in the field of health sciences, pharmacovigilance, consumer analysis and purchase behaviour, omni-channel consumer-centric marketing, distribution and inventory supply chain management, technical platform architecture, and other subject matter experts that bring decades of experience in their craft to ensure Weed Points is positioned as a top contender in the loyalty space with its service offerings. Each field expert has been asked to join our team because of their unique lens on how to curate the orchestration of their craft to elevate the status quo of current day industry. Each field expert works in tandem with one another to amplify their integrated effects upon one another to clearly articulate the consumer centric value offering of the WPL platform. We are a service with the needs and wants of patients first, and a company that brings the business enablement of such a service to the fingertips of the industry.

Weed Points is also a Canadian vaporizer (“**Vape**”) and electronic cigarette (“**E-Cig**”) company registered under the province of Ontario, which is in the process of developing WeedBeacon. Weed Points owns the exclusive rights to the “1313” E-Cig brand, a medicinal marijuana mobile application technology and several research and development projects within the Vape and E-Cig space. Although Weed Points was formed to capitalize on opportunities and technology related to the rapidly growing Vape and E-Cig sectors, PUF will retain and expand the “1313” brand and trademark of E-Cigs, marijuana Vape delivery devices and associated products.

Highlights

- 1313’s flavoured E-Cigs are currently being sold in Ontario with Canada-wide expansion planned
- 1313’s nicotine E-Cigs are ready for a planned roll-out into the US markets
- additional products in queue to enhance revenue opportunities for PUF
- Weed Points principals will remain engaged by PUF and will assist with product branding and sales roll-out
- Weed Points will leverage marketing and development opportunities alongside PUF in regards to creating synergies between the medicinal marijuana mobile application and vaporizer technology with the anticipated ACMPR license to be issued to AAA Heidelberg

1313 Brand to be Retained by PUF

1313 (www.1313cigs.com) is an emerging player in the burgeoning E-Cig market. 1313 E-Cigs are disposable electronic cigarettes that contain between 500 and 650 “puffs” and are packaged for convenience. A single 1313 E-cig is the equivalent of two and a half packs of traditional cigarettes. Weed Points has assembled a strong portfolio of unique flavours that have been tested and approved for commercial production. Initial commercial roll-out of 1313 E-Cigs has begun in Ontario. Select convenience stores and nightclub establishments in the Greater Toronto Area are already selling the nicotine-free 1313 E-Cig products with watermelon, vanilla, peach, and green apple flavours. Weed Points plans to continue sales expansion of 1313 E-Cigs to major urban centres across Canada in 2015 and beyond. A unique line of “e-shisa” flavours that are aimed at appealing to the North American and Middle Eastern hobbyist hookah smoker are also in a test phase. 1313 has begun test trials in US markets for its nicotine products and plans to further pursue this market opportunity.

In addition to the 1313 E-Cig brand, Weed Points has incubated a development stage medicinal marijuana mobile application tracking technology that synchronizes a vaporizer device to a smart phone and will be aimed at the

Canadian medical marijuana user. The medical marijuana mobile application will track a variety of metrics for patients and physicians alike such as cannabis usage data, the efficacy of certain strains, side effects as well as several other features. PUF will work in conjunction with AAA Heidelberg to implement additional features in the technology, prior to releasing a commercial version to the public.

History

On November 13, 2014, Derek Ivany, the President, CEO and a director of the Company, transferred ownership of his medical marijuana mobile source code to Weed Points in exchange for a 100% interest of Weed Points and was issued 20,000 Weed Points Shares.

On November 20, 2014, Mouse LLC, a Virginia private corporation, invested USD\$20,000 in Weed Points in consideration of the purchase of 50% of Weed Points and was issued 20,000 Weed Points Shares.

On March 15, 2015, Weed Points completed a forward stock split on the basis of 6.4705 Weed Points Shares for one (1) Weed Points Share.

Pursuant to a share exchange agreement dated April 2, 2015 between the Company, Weed Points (formerly Vapetronix Inc.) and Weed Point Shareholders, Weed Points sold to the Company a 100% interest in Weed Points and issued 7,000,000 Weed Points Shares to the Company, being all of the issued and outstanding Weed Points Shares, of which 1,500,000 Weed Points Shares will be held by the Company in escrow and released subject to Weed Points reaching certain milestones. The remaining Weed Points Shares to be issued will be released every six months.

On September 1, 2015, the Company announced a new product line of 1313 nicotine-free E-Cigs, with the newest product being “1313 Energy”. It is infused with taurine and contains a flavour profile similar to that of popular energy drinks currently on the market.

On September 24, 2015, the Company entered into an exclusive worldwide licensing agreement with Canadian R&B recording artist, Massari, for a unique line of branded electronic Shisha devices. In conjunction with Massari and his management team, the Company is creating a branded disposable shisha E-Cig that will be introduced in Canada first with a roll-out into international markets.

On October 3, 2015, the Company announced that it was introducing a premium e-liquid/e-juice product suite to its 1313 brand of E-Cigs. The initial skews will consist of two unique and exclusive flavour profiles designated for the US market: caramel tobacco; and 1313 Energy with nicotine. The Company has entered into a production agreement with a boutique purveyor in California for the manufacture of these specialty vape liquids.

On September 11, 2017, Weed Points changed its name from Vapetronix Holdings Inc. to “Weed Points Loyalty Inc.” The name change was necessary due to the renewed business focus on serving the burgeoning community of authorized, licensed producers of medical and recreational cannabis, associated patients, as well as future consumers of cannabis products.

Weed Points has incubated a development stage medicinal marijuana mobile application tracking technology that synchronizes a vaporizer device to a smart phone and will be aimed at the Canadian medical marijuana user. The medical marijuana mobile application called WeedBeacon, will track a variety of metrics for patients and physicians such as cannabis usage data, the efficacy of certain strains, side effects, as well as several other features. The Weed Points team will work in conjunction with the Company and AAA Heidelberg to implement additional features in the technology, prior to releasing a commercial version to the public.

The development of the medicinal marijuana mobile application has many potential synergies with AAA Heidelberg. This application will assist AAA Heidelberg with its Doctor Outreach Program (as announced in the Company’s news release dated June 23, 2014) that plans on creating relationships with the doctors and clinics in southern Ontario that are pro medical marijuana in advance of the issuance of an ACMPR license.

On September 29, 2017, PUF further announced an update on its Plan of Arrangement with Weed Points. Weed Points proposes to create the first loyalty program that targets the emerging cannabis market. It has established **weedpoints.com** as its beachhead domain name where a proprietary platform will allow producers, patients, and

consumers to interact creating an awareness and loyalty hub for the cannabis marketplace. It is also closing in on several other domain assets for other brands being created under the Weed Points loyalty umbrella.

The WeedBeacon marijuana tracking prototype schematics and associated technologies are being updated to be integrated within the Weed Points platform. Other cannabis loyalty brand business drivers such as data mining and life sciences technologies are also under development.

Weed Points has entered a lease agreement for office space in Toronto, reflective of the tech culture the company is creating, with a tentative occupancy date within 30 days. A corporate communications manager and programming/project manager have been hired, and management is in discussions to hire additional staff from the life sciences, pharma and tech sectors to complement the current team.

By establishing a loyalty and technological presence between producers and consumers, Weed Points will become the loyalty program of choice that provides accurate and up-to-date information on an array of cannabis products. Consumer reviews of specific strains, availability of product, and real-time delivery tracking will be some of the information included within loyalty platform as it evolves to suit the needs of the marketplace.

On October 20, 2017, Weed Points completed a non-brokered private placement to raise gross proceeds of \$752,050 by the issuance of 15,041,000 Weed Points Shares at a deemed price of \$0.05 per Weed Points Share.

Following final Court approval to the Plan of Arrangement, Weed Points contemplates completing an additional non-brokered private placement to raise gross proceeds of up to \$650,000 by the issuance of up to 2,600,000 Weed Points Shares at a deemed price of \$0.25 per Weed Points Share.

Upon completion of the Arrangement, Weed Points will be a reporting issuer in the provinces of British Columbia, Alberta and Ontario (provided that at least one of the parties to the Arrangement has been a “reporting issuer”, as that term is defined in the *Securities Act* (Ontario) for at least 12 months prior to the Effective Date), and intends to apply for and meet the listing requirements on a Canadian stock exchange following completion of the Arrangement. **Weed Points will have to meet the listing requirements, and there can be no guarantee that the Weed Points Shares will be listed on any stock exchange.** After the Effective Date, Weed Points plans to change its name to reflect the further development of WeedBeacon, move forward under new management and focus on building the technology and development of WeedBeacon.

WeedBeacon

Currently in development mode, WeedBeacon BETA is destined to change how medical cannabis usage is tracked. For the medical community this interactive app tracks real-time cannabis usage where physicians can review patient intake and how certain cannabinoids have benefited their patients. From a social perspective and aimed at the recreational market in the U.S., WeedBeacon’s social functionality allows users to share in real-time what they are smoking, and connect them to a web of like-minded cannabis smokers.

INTRODUCTION TO WEEDBEACON



WeedBeacon is the first of its kind THC and Cannabinoid tracking vaporizer kit. Via bluetooth, WeedBeacon connects to mobile & tablet devices allowing its users full tracking of over 1000 strains of marijuana currently on the market.

The **WeedBeacon** vaporizer set is equipped with all the necessary attachments to smoothly vaporize oils, waxes, loose leaf and e-liquids. This covers every type of delivery for medical marijuana and recreational marijuana currently on the market.

WeedBeacon is synced to the official WeedBeacon app that is compatible with all iOS and Android devices as well as traditional web mediums for desktop users.



Directors and Officers

The current directors and officers of Weed Points are as follows:

Name of Nominee; Current Position with the Company, Province/State and Country of Residence	Occupation, Business or Employment⁽¹⁾	Period as a Director and Officer of the Company	Weed Points Shares Beneficially Owned or Controlled⁽¹⁾
Shawn Moniz ⁽²⁾ Ontario, Canada <i>CEO and Director</i>	Self-employed management consultant. Strategic Marketing Technologist and Strategic Solutions Director.	Director: June 9, 2017 Officer: Sept. 12, 2017	Nil
Christopher P. Cherry ⁽²⁾ British Columbia, Canada <i>CFO and Director</i>	Chartered Accountant and Certified General Accountant; self-employed management consultant providing management and accounting consulting services to public companies.	Director: June 9, 2017 Officer: Sept. 12, 2017	Nil
Steve Loutskou Ontario, Canada <i>Chief Strategy Officer and Director</i>	Self-employed management consultant. Founder and CEO of FourOneSix and founder and CEO of RidgePark.net.	Director: June 9, 2017 Officer: Sept. 12, 2017	Nil

(1) The information as to principal occupation, business or employment has been furnished by the respective nominees. Unless otherwise indicated, each nominee has held the same or a similar principal occupation with the organization indicated or a predecessor thereof for the last five years.

Compensation of Directors and Officers of Weed Points

As at the date of this Circular, no compensation was paid to the directors and officers of Weed Points.

Share Capital

The authorized capital of Weed Points consists of an unlimited number of common shares without par value. All Weed Points Shares, both issued and unissued, rank equally as to dividends, voting powers and participation in assets. No shares have been issued subject to call or assessment. There are no preemptive or conversion rights, and no provision for redemption, purchase for cancellation, surrender or sinking funds. Provision as to modifications, amendments or variations of such rights or such provisions are contained in Weed Points' articles and the BCBCA.

Options to Purchase Weed Points Shares

Effective September 19, 2017, the directors and sole shareholder of Weed Points adopted a 10% rolling stock option plan in accordance with the policies of the Exchange and granted a total of 700,000 options to its directors, officers and consultants at a price of \$0.05 per share for a period of five years.

Dividends

Weed Points has paid no dividends since its inception. At the present time, Weed Points intends to retain any earnings for corporate purposes. The payment of dividends in the future will depend on the earnings and financial condition of Weed Points and on such other factors as the board of directors of Weed Points may consider appropriate. However, since Weed Points is currently in a development stage, it is unlikely that earnings, if any, will be available for the payment of dividends in the foreseeable future.

Prior Sales

The following table contains details of the prior sales of the securities of Weed Points within the 12 months prior to the date of this Circular:

Date Issued	Number of Securities⁽¹⁾	Issue Price Per Common Share	Aggregate Issue Price	Reason for Issuance
Apr. 2/15	7,000,000 Weed Points Shares	(1)	(1)	(1)
Oct. 20/17	15,041,000 Weed Points Shares	\$0.05	\$752,050	private placement

⁽¹⁾ Pursuant to a share exchange agreement dated April 2, 2015, Weed Points sold to the Company a 100% interest in Weed Points.

Legal Proceedings

Weed Points is not a party to any outstanding legal proceedings, and is not aware of any such proceedings contemplated.

Material Contracts

Except for contracts entered into in the ordinary course of business, the only material contract entered into by Weed Points since its incorporation and which can be reasonably regarded as material to Weed Points are as follows:

1. Share Exchange Agreement dated April 2, 2015 among the Company, Weed Points (formerly Vapetronix Inc.) and the Weed Points Shareholders.
2. Arrangement Agreement dated September 7, 2017 between the Company and Vapetronix Holdings Inc. (now, Weed Points), including all schedules annexed thereto, a copy of which is attached as **Appendix B** to this Circular, and any amendment(s) or variation(s) thereto.

Interest of Experts

No person whose profession or business gives authority to a statement made by such person and who is named in this Circular (being the auditors of the Company) has received or will receive a direct or indirect interest in the property of the Company or any related person of the Company. As at the date of this Circular, the aforementioned persons do not beneficially own, directly or indirectly, any securities of the Company. In addition, none of the aforementioned persons nor any director, officer or employee of any of the aforementioned persons, is or expected to be elected, appointed or employed as a director, senior officer, promoter or employee of the Company.

INFORMATION CONCERNING WEED POINTS AFTER THE ARRANGEMENT

General

On completion of the Arrangement, Weed Points will continue to be a corporation incorporated under and governed by the BCBCA and will be its own entity apart from PUF. Management of Weed Points intends to change its name to reflect the further development of WeedBeacon.

Directors and Officers

There will be no changes to the directors and officers of Weed Points as a result of the Arrangement. Upon completion of the Arrangement, the directors and officers of Weed Points will be:

Shawn Moniz	CEO and Director
Christopher P. Cherry	CFO and Director
Steve Loutskou	Chief Strategy Officer and Director

New Management of Weed Points

The following is a description of the core management team of Weed Points:

Shawn Moniz, CEO and Director

Shawn Moniz has over 16 years of experience as a strategic marketing technologist excelling in the art of omni-channel data driven marketing and customer relationship management. He has served in the capacity of Strategic Solutions Director across three organizations including Klick, where he shaped marketing campaigns and client objectives to customer relationship management (CRMs) with an ever-changing approach to targeted campaigns. Mr. Moniz is an expert on strategic delivery solutions, and has worked with numerous Fortune 500 companies harvesting customer data and designing strategic marketing solutions that drive desired customer behavior. At Tech One Sixty, Mr. Moniz brings his leadership and technological expertise to drive overall corporate marketing strategies while delivering cost-effective technical and strategic solutions.

Christopher P. Cherry, CFO and Director

Mr. Cherry has over 15 years of corporate accounting and audit experience. Mr. Cherry has extensive corporate experience and has held senior level positions for several public companies including director, CFO and Secretary. Mr. Cherry has been a Chartered Accountant since February 2009 and a Certified General Accountant since 2004. In his former experience as an auditor, he held positions with KPMG and Davidson and Co. LLP in Vancouver, B.C. where he gained experience as an auditor for junior public companies, and as an IPO specialist.

Steve Loutskou, Chief Strategy Officer and Director

Steve Loutskou is an experienced multi-disciplinary innovator in the business world, working at the forefront of integrative business application development, and utilizing his leadership skill set to capitalize on current and developing commercialization opportunities. He is founder and CEO of FourOneSix, a vibrant consulting and advisory company that excels in providing high-value solutions to businesses in the areas of technology, marketing and growth strategy. At FourOneSix, Mr. Loutskou manages a portfolio of business clients through the process of creating, promoting, and evolving their online footprint, ensuring that these businesses engaged in successful practices and that reflected the ever-changing online market demands. He is also founder and CEO of RidgePark.net, a boutique real estate investment and development company based in Toronto, Ontario. Mr. Loutskou is reinventing the rental market by offering affordable, premium rental units in strategically located properties with a modern, friendly management philosophy. With extensive experience in web design, virtual and bricks-and-mortar business consultation and optimization, real estate development and property management, and developing opportunities in the medical marijuana space, Mr. Loutskou has proven himself to be a successful leader of companies from start up, through development and expansion, and maturation into stable companies that maximize the return on investment.

Capital Structure

As a result of the completion of the Arrangement, the Weed Points share capital will increase from the issuance of Weed Points Shares contemplated by the Arrangement.

The authorized capital of Weed Points following the completion of the Arrangement will continue to consist of an unlimited number of Weed Points Shares without par value. The rights attributed to the Weed Points Shares will not be changed following the completion of the Arrangement. See *Information Concerning Weed Points – Share Capital*.

Stock Exchange Listing

On completion of the Arrangement, Weed Points intends to apply for and meet the listing requirements on a Canadian stock exchange. In the event the Arrangement Resolution is not passed by PUF Shareholders, the Court does not approve the Arrangement or the Arrangement does not proceed for some other reason, the Company will carry on business as it is currently carrying on. In such circumstances, Weed Points will likely remain a private company. **There can be no guarantee that the Weed Points Shares will be listed on any stock exchange.**

Dividends

Weed Points has not to date paid any dividends on the Weed Points Shares nor does it intend to pay any dividends on the Weed Points Shares in the immediate future as management anticipates that all available funds will be invested to finance further acquisition, exploration and development of its mineral properties.

Post-Arrangement Shareholdings

Immediately after completion of the Arrangement, assuming that no PUF Shareholder exercises Dissent Rights and that all PUF Options and PUF Warrants are not exercised on or before the Effective Time, current PUF Shareholders will own 31.75% of the then issued and outstanding Weed Points Shares.

Auditors

Dale Matheson Carr-Hilton Labonte, Chartered Accountants, is expected to be appointed as the auditor of Weed Points following the Effective Date.

Transfer Agent and Registrar

Upon completion of the Arrangement, Weed Points' transfer agent and registrar will be National Issuer Services Ltd. of Suite 760 – 777 Hornby Street, Vancouver, British Columbia, V6Z 1S4.

RISK FACTORS

Risk Factors of the Company and AAA Heidelberg

The following risk factors should be carefully considered in evaluating the Company, AAA Heidelberg, the Arrangement and the resulting Company upon completion of the Arrangement. These risk factors are not a definitive list of all risk factors associated with the Company and AAA Heidelberg. It is believed that these are the factors that could cause actual results to be different from expected and historical results. The market in which the Company and AAA Heidelberg currently competes is very competitive and changes rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. You should not rely upon forward-looking statements as a prediction of future results. The following risk factors are associated with the Company's strategy of becoming a licensed producer under the ACMPR:

Reliance on license

Investors should be aware that companies cannot legally conduct a medical marijuana business without a licence from Health Canada, and that there is likely significant time and cost required to obtain such a licence. Entering this sector requires a commitment of significant resources, and there are a number of risks, cost implications and time required before a company can begin licensed operations. There is no assurance that the Company will be successful in obtaining a licence, having access to requisite funds or in creating shareholder value.

Regulatory risks

The activities of AAA Heidelberg are subject to regulation by governmental authorities, particularly Health Canada. Achievement of AAA Heidelberg's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all Regulatory Approvals, where necessary, for the sale of its products. AAA Heidelberg cannot predict the time required to secure all appropriate Regulatory Approvals for its products, the extent of testing and documentation that may be required by governmental authorities, or the effect of the process by the actions of its shareholders. Any delays in obtaining, or failure to obtain Regulatory Approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of AAA Heidelberg and the Company upon completion of the Arrangement.

Change in laws, regulations, and guidelines

AAA Heidelberg's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of medical marijuana but also including laws and regulations relating to health and safety, the conduct of operations, and the protection of the environment. On March 21, 2014, the Federal Court of Canada issued an order affecting the repeal of the MMPR and the application of certain portions of the MMPR which are inconsistent with the MMAR in response to a motion

brought by four individuals. On August 24, 2016, the MMPR was repealed under the Controlled Drugs and Substances Act and replaced by the ACMPR. See *Glossary of Terms*. While to the knowledge of AAA Heidelberg's management, AAA Heidelberg is currently in compliance with all such laws, however, further changes to such laws, regulations, and guidelines due to matters beyond the control of AAA Heidelberg may cause adverse effects to AAA Heidelberg's business, financial condition and results of operations and for the Company upon completion of the Arrangement.

While the impact of such changes are uncertain and are highly dependent on which specific laws, regulations, or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on AAA Heidelberg's operations that is materially different than the effect on similar-sized companies in the same business as AAA Heidelberg.

Limited operating history

AAA Heidelberg, while incorporated in 2010, began carrying on business in 2013 and has yet to generate revenue from the sale of products. AAA Heidelberg is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that AAA Heidelberg will be successful in achieving a return on shareholders' investment and likelihood of success must be considered in light of the early stage of operations.

Reliance on a single facility

To date, AAA Heidelberg's activities and resources have been primarily focused on its facility in London, Ontario and AAA Heidelberg will continue to be focused on this facility for the foreseeable future. Adverse changes or developments affecting the facility could have a material and adverse effect on AAA Heidelberg's business, financial condition, and prospects.

Reliance on management

The success of AAA Heidelberg is dependent upon the ability, expertise, judgment, discretion, and good faith of its management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on AAA Heidelberg's business, operating results, or financial condition.

Factors which may prevent realization of growth targets

AAA Heidelberg is currently in the early development stage. AAA Heidelberg's growth strategy contemplates outfitting the facility with additional production resources. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they are can be adversely affected by a variety of factors, including the following:

- delays in obtaining, or conditions imposed by Regulatory Approvals;
- plant design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

As a result, there is a risk that AAA Heidelberg may not have product or sufficient product available for shipment to meet the anticipated demand or to meet future demand when it arises.

AAA Heidelberg has a history of net losses, may incur significant net losses in the future, and may not achieve or maintain profitability.

AAA Heidelberg has incurred losses in recent periods. AAA Heidelberg may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, AAA Heidelberg expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If AAA Heidelberg's revenues do not increase to offset these expected increases in costs and operating expenses, AAA Heidelberg will not be profitable.

Additional financing

The building and operation of AAA Heidelberg's facilities and business are capital intensive. In order to execute the anticipated growth strategy, AAA Heidelberg will require some additional equity and/or debt financing to support on-going operations, to undertake capital expenditures, and/or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to AAA Heidelberg or the Company when needed or on terms which are acceptable. AAA Heidelberg's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit AAA Heidelberg's growth and may have a material adverse effect upon future profitability. AAA Heidelberg and the Company may require additional financing to fund its operations to the point where it is generating positive cash flows.

Competition

Upon completion of the Arrangement, there is potential that AAA Heidelberg and the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than AAA Heidelberg. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of AAA Heidelberg and the Company.

Because of the early stage of the industry in which AAA Heidelberg operates, AAA Heidelberg expects to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and AAA Heidelberg expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, AAA Heidelberg will require a continued high level of investment in research and development, marketing, sales, and client support. Upon completion of the Arrangement, AAA Heidelberg and the Company may not have sufficient resources to maintain research and development, marketing, sales, and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition, and results of operations of AAA Heidelberg and the Company.

Risks inherent in an agricultural business

AAA Heidelberg's business involves the growing of medical marijuana, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business such as insects, plant diseases, and similar agricultural risks. Although AAA Heidelberg will grow its products indoors under climate controlled conditions and will carefully monitor the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Vulnerability to rising energy costs

AAA Heidelberg's medical marijuana growing operations consume considerable energy, making AAA Heidelberg and the Company, upon completion of the Arrangement, vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of AAA Heidelberg and its ability to operate profitably.

Transportation disruptions

Due to the perishable and premium nature of AAA Heidelberg's products, AAA Heidelberg will depend on fast and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of AAA Heidelberg and the Company upon

completion of the Arrangement. Rising costs associated with the courier services used by AAA Heidelberg to ship its products may also adversely impact the business of AAA Heidelberg and its ability to operate profitably.

Unfavourable publicity or consumer perception

AAA Heidelberg believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy, and quality of the medical marijuana produced. Consumer perception of AAA Heidelberg's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention, and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention, or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for AAA Heidelberg's products and the business, results of operations, financial condition and cash flows of AAA Heidelberg and the Company upon completion of the Arrangement. AAA Heidelberg's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on AAA Heidelberg and the Company, the demand for AAA Heidelberg's products, and the business, results of operations, financial condition and cash flows of AAA Heidelberg and the Company post transaction. Further, adverse publicity reports or other media attention regarding the safety, the efficacy, and quality of medical marijuana in general, or AAA Heidelberg's products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product liability

As a manufacturer and distributor of products designed to be ingested by humans, AAA Heidelberg faces an inherent risk of exposure to product liability claims, regulatory action, and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of AAA Heidelberg's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of AAA Heidelberg's products or in combination with other medications or substances could occur. AAA Heidelberg and the Company may be subject to various product liability claims, including, among others, that AAA Heidelberg's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against AAA Heidelberg could result in increased costs, could adversely affect AAA Heidelberg's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of AAA Heidelberg and the Company post transaction. There can be no assurances that AAA Heidelberg will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of AAA Heidelberg's potential products.

Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of AAA Heidelberg's products are recalled due to an alleged product defect or for any other reason, AAA Heidelberg could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. AAA Heidelberg may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although AAA Heidelberg has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of AAA Heidelberg's significant brands were subject to recall, the image of that brand and AAA Heidelberg could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for AAA Heidelberg's products and could have a material adverse effect

on the results of operations and financial condition of AAA Heidelberg and the Company post transaction. Additionally, product recalls may lead to increased scrutiny of AAA Heidelberg's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Reliance on key inputs

AAA Heidelberg's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of AAA Heidelberg and the Company post transaction. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, AAA Heidelberg might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to AAA Heidelberg in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of AAA Heidelberg and the Company post transaction.

Dependence on suppliers and skilled labour

The ability of AAA Heidelberg to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that AAA Heidelberg will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by AAA Heidelberg's capital expenditure program may be significantly greater than anticipated by AAA Heidelberg's management, and may be greater than funds available to AAA Heidelberg, in which circumstance AAA Heidelberg may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of AAA Heidelberg.

Forecast Uncertainties

AAA Heidelberg must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, and financial condition of AAA Heidelberg and the Company post transaction.

Operating risk and insurance coverage

AAA Heidelberg has insurance to protect its assets, operations, and employees. While AAA Heidelberg believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which AAA Heidelberg is exposed. In addition, no assurance can be given that such insurance will be adequate to cover AAA Heidelberg's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If AAA Heidelberg were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if AAA Heidelberg were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations, and financial condition could be materially adversely affected.

Exchange restrictions on business

As part of its conditional approval, the Exchange requires that as a condition to listing the Company deliver an undertaking confirming that, while listed on the Exchange, the Company post transaction will only conduct the business of production, acquisition, sale and distribution of medical marijuana in Canada as permitted under the Health Canada License. This undertaking could have an adverse effect on the Company post transaction's ability to export marijuana from Canada and on its ability to expand its business into other areas including the provision of non-medical marijuana in the event that the laws were to change to permit such sales and the Company post transaction is still listed on the Exchange and still subject to such undertaking at the time. This undertaking may prevent the Company post transaction from expanding into new areas of business when the Company post

transaction's competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition, and results of operations of the Company post transaction.

Management of growth

AAA Heidelberg may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of AAA Heidelberg to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train, and manage its employee base. The inability of AAA Heidelberg to deal with this growth may have a material adverse effect on AAA Heidelberg's business, financial condition, results of operations and prospects.

Conflicts of interest

Certain of the directors and officers of AAA Heidelberg and the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of AAA Heidelberg and the Company and as officers and directors of such other companies.

Litigation

AAA Heidelberg may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which AAA Heidelberg becomes involved be determined against AAA Heidelberg such a decision could adversely affect its ability to continue operating and the market price for the Company post transaction common shares and could use significant Company resources. Even if AAA Heidelberg is involved in litigation and wins, litigation can redirect significant company resources.

The market price of the Company's post transaction's common shares may be subject to wide price fluctuations.

The market price of the Company post transaction's common shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company post transaction and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company post transaction and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Company's post transaction control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, as well as general economic and political conditions which could adversely affect the market price of the Company's post transaction common shares.

Dividends

The Company pre or post transaction has no earnings or dividend record, and does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Environmental and employee health and safety regulations

AAA Heidelberg's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. AAA Heidelberg will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to AAA Heidelberg's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations, and financial condition of AAA Heidelberg and the Company post transaction.

Risk Factors Relating to Weed Points

The following risk factors should be carefully considered in evaluating Weed Points upon completion of the Arrangement. There are a number of factors that could negatively affect Weed Points' business and the value of the Weed Points Shares. These risk factors are not a definitive list of all risk factors associated with Weed Points and other factors may arise in the future that are currently not foreseen by management of Weed Points that may present additional risks in the future. The following risk factors are associated with Weed Points pertaining to the outlook and conditions currently known to Weed Points that could have a material impact on the financial condition, operations and business of Weed Points:

No Assurance that the Proposed Arrangement will be Completed as Contemplated or at all

Completion of the proposed Arrangement is subject to a number of conditions, including the approvals of the Court, PUF Shareholders and the Weed Points Shareholders. Should the Arrangement fail to receive approval of the PUF Shareholders at the Meeting, Weed Points will remain a private company. There is no assurance that any or all of these conditions will be satisfied or waived. In the event that the Arrangement is completed, Weed Points will become a reporting issuer in the provinces of British Columbia, Alberta and Ontario (provided that at least one of the parties to the Arrangement has been a "reporting issuer", as that term is defined in the *Securities Act* (Ontario) for at least 12 months prior to the Effective Date), and intends to apply for and meet the listing requirements on a Canadian stock exchange.

Requirements for Further Financing

Weed Points presently does not have sufficient financial resources to undertake all of its currently planned activities beyond completion of the Arrangement. In the event that the Arrangement is completed and Weed Points proceeds to apply for and meet the listing requirements on a Canadian stock exchange, Weed Points will need to obtain further financing, whether through debt financing, equity financing or other means. **There can be no guarantee that the Weed Points Shares will be listed on any stock exchange.** There can be no assurance that Weed Points will be able to raise the balance of the financing required or that such financing can be obtained without substantial dilution to shareholders. Failure to obtain additional financing on a timely basis could cause Weed Points to reduce or terminate its operations.

The Weed Points Shares may not be Qualified Investments under the Tax Act for a Registered Plan

An application for listing of Weed Points on any stock exchange will not be made on the Effective Date. There is no assurance that the Weed Points Shares will be issued if the Arrangement is not completed. As a result, there is no assurance when, or if, the Weed Points Shares will be listed on any stock exchange. If the Weed Points Shares are not listed on a designated stock exchange in Canada before the due date for Weed Points' first income tax return or if Weed Points does not otherwise satisfy the conditions in the Tax Act to be a "public corporation", the Weed Points Shares will not be considered to be a qualified investment for a Registered Plan from their date of issue. Where a Registered Plan acquires a Weed Points Share in circumstances where the Weed Points Shares are not a qualified investment under the Tax Act for the Registered Plan, adverse tax consequences may arise for the Registered Plan and the annuitant, beneficiary or holder under the Registered Plan, including that the Registered Plan may become subject to penalty taxes, the annuitant of such Registered Plan may be deemed to have received income therefrom or be subject to a penalty tax or, in the case of a registered education savings plan, such plan may have its tax exempt status revoked.

Limited Operating History

Weed Points has a very limited history of operations and must be considered a start-up. As such, Weed Points is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that Weed Points will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

Weed Points has limited financial resources, has not earned any revenue since commencing operations, has no source of operating cash flow and there is no assurance that additional funding will be available to it for further advancement of Weed Points' business. There can be no assurance that Weed Points will be able to obtain adequate

financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of development of Weed Points' business.

Negative Cash Flow

Weed Points has no history of earnings or cash flow from operations. Weed Points does not expect to generate material revenue or to achieve self-sustaining operations for several years, if at all.

No Market for Securities

There is currently no market through which any of Weed Points' Shares may be sold and there is no assurance that the Weed Points Shares will be listed for trading on a Canadian stock exchange, or if listed, will provide a liquid market for such securities. Until the Weed Points Shares are listed on a Canadian stock exchange, holders of the Weed Points Shares may not be able to sell their Weed Points Shares. Even if a listing is obtained, there can be no assurance that an active public market for the Weed Points Shares will develop or be sustained after completion of the Arrangement. The holding of Weed Points Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. The Weed Points Shares should not be purchased by persons who cannot afford the possibility of the loss of their entire investment.

Dividend Policy

Weed Points does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from Weed Points will remain subject to the discretion of its board of directors and will depend on results of operations, cash requirements and future prospects of Weed Points and other factors.

Conflicts of Interest

The directors of Weed Points may be directors, officers or shareholders of other companies that are engaged in similar businesses to Weed Points. Such associations may give rise to conflicts of interest from time to time. The directors of Weed Points are required by law to act honestly and in good faith with a view to the best interests of Weed Points and to disclose any interest which they may have in any project or opportunity of Weed Points. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not Weed Points will participate in any project or opportunity, the directors will primarily consider the degree of risk to which Weed Points may be exposed and its financial position at the time.

Risk Factors Relating to Software

Lack of experience and commitment of project manager

The project manager is the leader and the most responsible person. An inexperienced manager can jeopardize the completion of a project.

Unrealistic deadlines

Software projects may fail when deadlines are not properly set. Project initialization, completion date and time must be realistic.

Improper budget

Cost estimation of a project is very crucial in terms of project success and failure. Low cost with high expectations of large projects may cause project failure. An organization cannot bear the expenses of a project.

Lack of resources

Software and hardware resources may not be adequate. Lack of resources in terms of manpower is also a critical risk factor of software failure.

Personnel hiring

Extensive hiring and firing in a software team may lead a software project to a critical stage. Staff may not be properly assigned to specific tasks.

Understanding problems of customers

Many customers are not technical in terms of software terminologies and may not understand the developer's point of view. Developers may interpret information differently from what is provided by the clients.

Inappropriate design

Software designers have a major role in the success or failure of the project if a design is inappropriate for the project.

Market demand obsolete

Market demand may become obsolete while a project is still in progress.

Risk Factors Relating to the Arrangement

There are risks associated with the completion of the Arrangement. Some of these risks include:

Termination of the Arrangement Agreement

The Arrangement Agreement may be terminated by PUF in certain circumstances, in which case the market price for PUF Shares may be adversely affected.

Weed Points Shares may have a lower market value

As PUF Shareholders will receive Weed Points Shares based on a fixed ratio, Weed Points Shares received by PUF Shareholders under the Arrangement may have a lower market value than expected.

Consents and approvals are not received or impose conditions

The closing of the Arrangement is conditional on, among other things, the receipt of consents and approvals from governmental bodies that could delay or impede completion of the Arrangement or impose conditions on the companies that could adversely affect the business or financial condition of Weed Points.

Unanticipated challenges with integrating PUF and Weed Points operations

PUF and Weed Points may not realize the benefits currently anticipated due to challenges associated with integrating the operations, technologies and personnel of PUF and Weed Points.

Interest of directors and officers may not be the same as PUF Shareholders generally

Directors and officers of PUF have interests in the Arrangement that may be different from those of PUF Shareholders generally.

MANAGEMENT CONTRACTS

Certain management functions of the Company are performed by the directors or executive officers of the Company through private companies that are controlled by such directors or executive officers.

A copy of this Circular is posted for public access on PUF's SEDAR profile at www.sedar.com, or, alternatively, can be obtained upon written request to the Company at Suite 804 – 750 West Pender Street, Vancouver, British Columbia V6C 2T7.

TRANSFER AGENT AND REGISTRAR

PUF's registrar and transfer agent is Computershare Investor Services Inc., of 2nd Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

Prior to the Effective Date, Weed Points intends to appoint National Issuer Services Ltd. of Suite 760 – 777 Hornby Street, Vancouver, British Columbia, V6Z 1S4, as its registrar and transfer agent.

LEGAL PROCEEDINGS

The Company is not aware of pending legal proceedings to which the Company or Weed Points is or is likely to be a party or of which any of its properties are, or to the best of knowledge of management of the Company or Weed Points are likely to be subject.

ADDITIONAL INFORMATION

The audited financial statements of the Company for the year ended December 31, 2016 and the related management discussion and analysis, and the unaudited interim financial statements of the Company for the period ended June 30, 2017 and the related management discussion and analysis (collectively, the “**Financial Statements**”) were filed on SEDAR at www.sedar.com on May 3, 2017 and August 29, 2017, respectively, with the securities commissions or similar regulatory authorities in British Columbia, Alberta and Ontario and are specifically incorporated by reference into, and form an integral part of, this Circular. Additional information relating to the Company and copies of the Financial Statements may be obtained at www.sedar.com, and upon request from the Company at Suite 804 - 750 West Pender Street, Vancouver, British Columbia, V6C 2T7, telephone: (604) 682-2928 or fax: (604) 685-6905. Copies of the above documents will be provided, upon request, free of charge to PUF Shareholders. The Company may require the payment of a reasonable charge from any person or company who is not a PUF Shareholder, who requests a copy of any such document.

OTHER MATTERS

Management of the Company is not aware of any other matter to come before the Meeting other than as set forth in the Notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the Shares represented thereby in accordance with their best judgment on such matter.

BOARD APPROVAL

The undersigned hereby certifies that the contents and the sending of this Circular to the PUF Shareholders have been approved by the Board.

Dated at Toronto, Ontario, this 20th day of October, 2017.

PUF VENTURES INC.

“Derek Ivany”

Derek Ivany,
President, CEO and Director

**APPENDIX A -
RESOLUTIONS FOR THE ANNUAL GENERAL AND SPECIAL MEETING OF
PUF VENTURES INC.**

Capitalized words used in this Appendix A and not otherwise defined shall have the meaning ascribed to such terms in the Circular.

I. Arrangement Resolution:

“BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The arrangement (the “**Arrangement**”) under Section 288 of the British Columbia *Business Corporations Act* involving PUF Ventures Inc. (“**PUF**”), all as more particularly described and set forth in the management information circular (the “**PUF Circular**”) of PUF dated October 20, 2017, accompanying the notice of this meeting (as the Arrangement may be, or may have been, modified or amended), is hereby authorized, approved and adopted.
2. The plan of arrangement, as it may be or has been amended (the “**Plan of Arrangement**”), involving PUF and implementing the Arrangement, the full text of which is set out in Appendix B to the PUF Circular, is hereby authorized, approved and adopted.
3. The arrangement agreement (the “**Arrangement Agreement**”) between PUF and Weed Points Loyalty Inc. dated September 7, 2017, as amended October 11, 2017, and all the transactions contemplated therein, the actions of the directors of PUF in approving the Arrangement and any amendments thereto and the actions of the directors and officers of PUF in executing and delivering the Arrangement Agreement and any amendments thereto are hereby confirmed, ratified, authorized and approved.
4. Notwithstanding that these resolutions have been passed (and the Arrangement adopted) or that the Arrangement has been approved by the Supreme Court of British Columbia, the directors of PUF are hereby authorized and empowered, without further notice to, or approval of, any securityholders of PUF:
 - (a) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement; or
 - (b) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.
5. Any one or more directors or officers of PUF is hereby authorized, for and on behalf and in the name of PUF, to execute and deliver, whether under corporate seal of PUF or not, all such agreements, applications, forms, waivers, notices, certificates, confirmations and other documents and instruments and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions, the Arrangement Agreement and the completion of the Plan of Arrangement in accordance with the terms of the Arrangement Agreement, including:
 - (a) all actions required to be taken by or on behalf of PUF, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities; and
 - (b) the signing of the certificates, consents and other documents or declarations required under the Arrangement Agreement or otherwise to be entered into by PUF;

such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.”

**APPENDIX B -
ARRANGEMENT AGREEMENT AND PLAN OF ARRANGEMENT**

FIRST AMENDMENT TO ARRANGEMENT AGREEMENT

THIS FIRST AMENDMENT TO THE ARRANGEMENT AGREEMENT (the “**Amendment**”) is dated for reference October 11, 2017,

BETWEEN:

WEED POINTS LOYALTY INC. (formerly Vapetronix Holdings Inc.), a company with an office at 804-750 West Pender Street, Vancouver, British Columbia, V6C 2T7;

(“**Weed Points**”)

AND:

PUF VENTURES INC., a company with an office at 804-750 West Pender Street, Vancouver, British Columbia, V6C 2T7;

(the “**Company**” or “**PUF**”)

(collectively, the “**Parties**” or individually, a “**Party**”)

RECITALS:

- A. The Parties are parties to an arrangement agreement dated for reference September 7, 2017 (the “**Arrangement Agreement**”); and
- B. The Parties wish to amend Schedule B to the Arrangement Agreement, which references October 4, 2017 as the date of information circular of PUF.

NOW THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto do hereby covenant and agree as follows:

1. Unless otherwise defined in this Amendment, capitalized words and terms used in this Amendment have the respective meanings attributed to them in the Arrangement Agreement.
2. Paragraph 1 of Schedule B to the Arrangement Agreement is hereby amended by deleting the words “dated October 4, 20107”, so that it now reads as follows:

“1. The arrangement (the “**Arrangement**”) under Section 288 of the British Columbia *Business Corporations Act* involving PUF Ventures Inc. (“**PUF**”), all as more particularly described and set forth in the management information circular (the “**PUF Circular**”) of PUF, accompanying the notice of this meeting (as the Arrangement may be, or may have been, modified or amended), is hereby authorized, approved and adopted.”
3. The provisions of the Arrangement Agreement shall be amended as set out in this Amendment as and from the date hereof.
4. The provisions of the Arrangement Agreement made in any document delivered pursuant thereto or in connection therewith shall be deemed to refer to the Arrangement Agreement as amended and modified by this Amendment and otherwise from time to time.
5. With the exception of the foregoing amendment and modification, the Arrangement Agreement shall continue in full force. The Arrangement Agreement and this Amendment shall be read, taken and construed as one instrument.

6. This Amendment will be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns.
7. This Amendment may be executed in any number of counterparts, which taken together shall form one and the same instrument. Counterparts may be delivered either in original or facsimile form and the parties adopt any signatures received by a receiving fax machine or by e-mail transmissions of an Adobe Acrobat file or similar means of recorded electronic transmission, as original signatures of the parties.

IN WITNESS WHEREOF the Parties have executed this Amendment as of the date first above written.

WEED POINTS HOLDINGS INC.

Per:

"Steve Loutskou"
Authorized Signatory

PUF VENTURES INC.

Per:

"Derek Ivany"
Authorized Signatory

ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT (the “**Agreement**”) is dated for reference September 7, 2017,

BETWEEN:

VAPETRONIX HOLDINGS INC., a company with an office at 804-750 West Pender Street, Vancouver, British Columbia, V6C 2T7;

(“**Vapetronix**”)

AND:

PUF VENTURES INC., a company with an office at 804-750 West Pender Street, Vancouver, British Columbia, V6C 2T7;

(the “**Company**” or “**PUF**”)

(collectively, the “**Parties**” or individually, a “**Party**”)

RECITALS:

- A. PUF is an advanced Stage 5 Access to Cannabis for Medical Purposes Regulations (“**ACMPR**”) license applicant and is listed for trading on the Canadian Securities Exchange under the symbol, PUF;
- B. Vapetronix is a private British Columbia company, and is a wholly-owned subsidiary of PUF;
- C. The Parties have entered into this Agreement to efficiently facilitate the reorganization of the Company’s Assets, as herein defined, to Vapetronix, and for the parent company, PUF, to focus on medical marijuana with a particular emphasis to growing cannabis for its joint venture partnership with Canopy Growth Corp.;
- D. The Parties intend to carry out the transactions contemplated herein by way of an arrangement under the provisions of the BCBCA;
- E. The Parties hereto have entered into this Agreement to provide for the matters referred to in the foregoing recital and for other matters relating to such arrangement; and
- F. The PUF Board, as herein defined, has determined, after receiving financial advice, that the consideration to be received by PUF Shareholders, as herein defined, pursuant to the Arrangement is fair and that the Arrangement is in the best interests of PUF, and the PUF Board has decided to recommend that the PUF Shareholders vote in favour of the Arrangement, all subject to the terms and the conditions contained in this Agreement.

NOW THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto do hereby covenant and agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, unless there is something in the context or subject matter inconsistent therewith, the following defined terms have the meanings hereinafter set forth:

- (a) “**Agreement**”, “**herein**”, “**hereof**”, “**hereto**”, “**hereunder**” and similar expressions mean and refer to this arrangement agreement (including the schedules hereto) as supplemented, modified or amended, and not to any particular article, section, schedule or other portion hereof;
- (b) “**Applicable Laws**” means all applicable corporate laws, rules of applicable stock exchanges and applicable securities laws, including the rules, regulations, notices, instruments, blanket orders and policies of the securities regulatory authorities in Canada;
- (c) “**Arrangement**” means the arrangement pursuant to Section 288 of the BCBCA set forth in the Plan of Arrangement;
- (d) “**Arrangement Provisions**” means Part 9, Division 5 of the BCBCA;
- (e) “**Arrangement Resolution**” means the special resolution to be considered by the PUF Shareholders at the Meeting to approve the Arrangement, the full text of which is set out in Schedule B to this Agreement;
- (f) “**Assets**” means the WeedBeacon proprietary information, current app developments, databases, graphics, brochures and other marketing materials and liabilities of the Company as described in the attached Schedule C;
- (g) “**BCBCA**” means the Business Corporations Act (British Columbia), S.B.C. 2002, c.57, as amended, including the regulations promulgated thereunder;
- (h) “**Business Day**” means a day other than a Saturday, Sunday or other than a day when banks in the City of Vancouver, British Columbia are not generally open for business;
- (i) “**Company**” or “**PUF**” means PUF Ventures Inc.;
- (j) “**Computershare**” means Computershare Investor Services Inc., the registrar and transfer agent of the Company;
- (k) “**Court**” means the Supreme Court of British Columbia;
- (l) “**Dissenting Shareholder**” means an PUF Shareholder who validly exercises rights of dissent under the Arrangement and who will be entitled to be paid fair value for his, her or its PUF Shares in accordance with the Interim Order and the Plan of Arrangement;
- (m) “**Dissenting Shares**” means the PUF Shares in respect of which Dissenting Shareholders have exercised a right of dissent;
- (n) “**Effective Date**” means the date upon which the Arrangement becomes effective in accordance with the Arrangement Agreement and the Final Order;
- (o) “**Exchange**” means the Canadian Securities Exchange;
- (p) “**Final Order**” means the final order of the Court approving the Arrangement;
- (q) “**IFRS**” means International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee;
- (r) “**Circular**” means the notice of the PUF Meeting and accompanying management information circular, including all schedules, appendices and exhibits thereto and enclosures therewith and the documents

- incorporated by reference therein, to be sent to the PUF Shareholders in connection with the PUF Meeting, as amended, supplemented or otherwise modified from time to time;
- (s) “**Interim Order**” means an interim order of the Court concerning the Arrangement in respect of PUF, containing declarations and directions with respect to the Arrangement and the holding of the PUF Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
 - (t) “**National Issuer**” means National Issuer Services Ltd., the registrar and transfer agent of Vapetronix;
 - (u) “**PUF Board**” means the board of directors of PUF;
 - (v) “**PUF Meeting**” means the annual general and special meeting of PUF Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution;
 - (w) “**PUF Shareholder**” means a holder of PUF Shares;
 - (x) “**PUF Shares**” means the common shares without par value in the authorized share structure of the Company;
 - (y) “**PUF Subsidiary**” means Vapetronix;
 - (z) “**Notice of Meeting**” means the notice of annual general and special meeting of the PUF Shareholders in respect of the PUF Meeting;
 - (aa) “**Person**” means an individual, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator or other legal representative;
 - (bb) “**Plan of Arrangement**” means the plan of arrangement attached as Schedule A to the Arrangement Agreement, which Arrangement Agreement is attached as Appendix B to the Circular, and any amendment(s) or variation(s) thereto;
 - (cc) “**Registrar**” means the Registrar of Companies for the Province of British Columbia duly appointed under the BCBCA;
 - (dd) “**Vapetronix**” means Vapetronix Holdings Inc., a private company continued from the federal jurisdiction of Canada to the Province of British Columbia under the BCBCA and which is a wholly-owned subsidiary of the Company;
 - (ee) “**Vapetronix Shares**” means the common shares in the share capital of Vapetronix without par value;
 - (ff) “**Vapetronix Shareholder**” means a holder of Vapetronix Shares; and
 - (gg) “**Tax Act**” means the Income Tax Act (Canada), as may be amended, or replaced, from time to time.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into articles, sections and subsections is for convenience of reference only and does not affect the construction or interpretation of this Agreement. The terms “this Agreement”, “hereof”, “herein” and “hereunder” and similar expressions refer to this Agreement (including Schedules A to B hereto) and not to any particular article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto.

1.3 Number, etc.

Words importing the singular number include the plural and vice versa, words importing the use of any gender include all genders, and words importing persons include firms and corporations and vice versa.

1.4 Date for Any Action

If any date on which any action is required to be taken hereunder by any of the Parties is not a Business Day and a business day in the place where an action is required to be taken, such action is required to be taken on the next succeeding day which is a Business Day and a business day, as applicable, in such place.

1.5 Entire Agreement

This Agreement, together with the agreements and documents herein and therein referred to, constitute the entire agreement among the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, among the Parties with respect to the subject matter hereof.

1.6 Currency

Unless otherwise stated, all references in this Plan of Arrangement to sums of money are expressed in lawful money of Canada and "\$" refers to Canadian dollars.

1.7 Accounting Matters

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under IFRS, as applicable and all determinations of an accounting nature are required to be made shall be made in a manner consistent with IFRS.

1.8 References to Legislation

References in this Agreement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

1.9 Enforceability

All representations, warranties, covenants and opinions in or contemplated by this Agreement as to the enforceability of any covenant, agreement or document are subject to enforceability being limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally, and the discretionary nature of certain remedies (including specific performance and injunctive relief and general principles of equity).

1.10 Schedules

The following schedules attached hereto are incorporated into and form an integral part of this Agreement:

- Schedule A – Plan of Arrangement
- Schedule B – Arrangement Resolution

**ARTICLE 2
THE ARRANGEMENT**

2.1 Plan of Arrangement

The Parties will forthwith jointly file, proceed with and diligently prosecute an application for an Interim Order providing for, among other things, the calling and holding of the PUF Meeting for the purpose of considering and, if deemed advisable, approving the Arrangement Resolution and upon receipt thereof, the Parties will forthwith carry out the terms of the Interim Order to the extent applicable to them. Provided all necessary approvals for the Arrangement Resolution are obtained from the PUF Shareholders, the Parties shall jointly submit the Arrangement to the Court and apply for the Final Order. Upon issuance of the Final Order and subject to the conditions precedent in Article 5, PUF shall forthwith proceed to file this Arrangement Agreement and the Plan of Arrangement, the Final Order and such other documents as may be required to give effect to the Arrangement with the Registrar pursuant to the Arrangement Provisions, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out therein without any act or formality.

2.2 Interim Order

The Interim Order shall provide that:

- (a) the securities of PUF for which PUF Shareholders shall be entitled to vote on the Arrangement Resolution shall be the PUF Shares;
- (b) the PUF Shareholders shall be entitled to vote on the Arrangement Resolution, with each PUF Shareholder being entitled to one vote for each PUF Share held by such holder; and
- (c) the requisite majority for the approval of the Arrangement Resolution shall be two-thirds of the votes cast by the PUF Shareholders present in person or by proxy at the PUF Meeting.

2.3 Circular and Meetings

As promptly as practical following the execution of this Agreement and in compliance with the Interim Order and Applicable Laws, PUF shall:

- (a) prepare the Circular and cause such circular to be mailed to the PUF Shareholders and filed with applicable regulatory authorities and other governmental authorities in all jurisdictions where the same are required to be mailed and filed; and
- (b) convene the PUF Meeting.

2.4 Effective Date

The Arrangement shall become effective in accordance with the terms of the Plan of Arrangement on the Effective Date.

**ARTICLE 3
COVENANTS**

3.1 Covenants Regarding the Arrangement

From the date hereof until the Effective Date, the Parties will use all reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws to complete the Arrangement, including using reasonable efforts:

- (a) to obtain all necessary waivers, consents and approvals required to be obtained by it from other parties to loan agreements, leases and other contracts;

- (b) to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby; and
- (c) to effect all necessary registrations and filings and submissions of information requested by governmental authorities required to be effected by it in connection with the Arrangement.

3.2 Covenants Regarding Execution of Documents

The Parties will perform all such acts and things, and execute and deliver all such agreements, notices and other documents and instruments as may reasonably be required to facilitate the carrying out of the intent and purpose of this Agreement.

3.3 Giving Effect to the Arrangement

The Arrangement shall be effected in the following manner:

- (a) The Parties shall proceed forthwith to apply for the Interim Order providing for, among other things, the calling and holding of the PUF Meeting for the purpose of, among other things, considering and, if deemed advisable, approving and adopting the Arrangement;
- (b) The Vapetronix Shareholder shall approve the Arrangement by consent resolutions;
- (c) Upon obtaining the Interim Order, PUF shall call the PUF Meeting and mail the Circular and related Notice of Meeting and form of Proxy to the PUF Shareholders;
- (d) If the PUF Shareholders approve the Arrangement, PUF shall thereafter (subject to the exercise of any discretionary authority granted to PUF's Board by the PUF Shareholders) take the necessary actions to submit the Arrangement to the Court for approval and grant of the Final Order; and
- (e) Upon receipt of the Final Order, PUF shall, subject to compliance with any of the other conditions provided for in Article 5 hereof and to the rights of termination contained in Article 7 hereof, file the required material with the Registrar in accordance with the terms of the Plan of Arrangement.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties

Each of the Parties hereby represents and warrants to the other that:

- (a) It is a corporation duly incorporated and validly subsisting under the laws of its jurisdiction of existence, and has full capacity and authority to enter into this Agreement and to perform its covenants and obligations hereunder;
- (b) It has taken all corporate actions necessary to authorize the execution and delivery of this Agreement and this Agreement has been duly executed and delivered by it;
- (c) Neither the execution and delivery of this Agreement nor the performance of any of its covenants and obligations hereunder will constitute a material default under, or be in any material contravention or breach of: (i) any provision of its constituting or governing corporate documents, (ii) any judgment, decree, order, law, statute, rule or regulation applicable to it, or (iii) any agreement or instrument to which it is a party or by which it is bound; and
- (d) No dissolution, winding up, bankruptcy, liquidation or similar proceedings have been commenced or are pending or proposed in respect of it.

ARTICLE 5
CONDITIONS PRECEDENT

5.1 Mutual Conditions Precedent

The respective obligations of the Parties to consummate the transactions contemplated hereby, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions, any of which may be waived by the mutual written consent of such Parties without prejudice to their right to rely on any other of such conditions:

- (a) the Interim Order shall have been granted in form and substance satisfactory to the Parties, acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to the Parties, acting reasonably, on appeal or otherwise;
- (b) the Arrangement Resolution shall have been passed by the PUF Shareholders at the PUF Meeting in accordance with the Arrangement Provisions, the constating documents of PUF, the Interim Order and the requirements of any applicable regulatory authorities;
- (c) the Arrangement and this Agreement, with or without amendment, shall have been approved by the Vapetronix Shareholder to the extent required by, and in accordance with, the Arrangement Provisions and the constating documents of Vapetronix;
- (d) the Final Order shall have been granted in form and substance satisfactory to the Parties, acting reasonably;
- (e) all other consents, orders, regulations and approvals, including regulatory and judicial approvals and orders required or necessary or desirable for the completion of the transactions provided for in this Agreement and the Plan of Arrangement shall have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances, each in form acceptable to the Parties;
- (f) there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by this Agreement and the Arrangement; and
- (g) this Agreement shall not have been terminated under Article 7.

Except for the conditions set forth in this §5.1 which, by their nature, may not be waived, any of the other conditions in this §5.1 may be waived, either in whole or in part, by any of the Parties, as the case may be, at its discretion.

5.2 Closing

Unless this Agreement is terminated earlier pursuant to the provisions hereof, the parties shall meet at the registered office of PUF at Suite 804 – 750 West Pender Street, Vancouver, British Columbia, V6C 2T7, or such other location as agreed to by the Parties, at 11:00 a.m. (Vancouver time) on such date as they may mutually agree (the “**Closing Date**”), and each of them shall deliver to the other of them:

- (a) the documents required to be delivered by it hereunder to complete the transactions contemplated hereby, provided that each such document required to be dated the Effective Date shall be dated as of, or become effective on, the Effective Date and shall be held in escrow to be released upon the occurrence of the Effective Date; and
- (b) written confirmation as to the satisfaction or waiver by it of the conditions in its favour contained in this Agreement.

5.3 Merger of Conditions

The conditions set out in §5.1 hereof shall be conclusively deemed to have been satisfied, waived or released upon the occurrence of the Effective Date.

5.4 Merger of Representations and Warranties

The representations and warranties in §4.1 shall be conclusively deemed to be correct as of the Effective Date and each shall accordingly merge in and not survive the effectiveness of the Arrangement.

ARTICLE 6 AMENDMENT

6.1 Amendment

This Agreement may at any time and from time to time before or after the holding of the PUF Meeting be amended by written agreement of the Parties hereto without, subject to Applicable Laws, further notice to or authorization on the part of their respective securityholders and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; or
- (d) waive compliance with or modify any other conditions precedent contained herein;

provided that no such amendment reduces or materially adversely affects the consideration to be received by an PUF Shareholder without approval by the PUF Shareholders, given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court.

ARTICLE 7 TERMINATION

7.1 Termination

Subject to §7.2, this Agreement may at any time before or after the holding of the PUF Meeting, and before or after the granting of the Final Order, but in each case prior to the Effective Date, be terminated by direction of the PUF Board without further action on the part of the PUF Shareholders, or by the respective board of directors of Vapetronix without further action on the part of the Vapetronix Shareholder and nothing expressed or implied herein or in the Plan of Arrangement shall be construed as fettering the absolute discretion by the boards of directors of PUF and Vapetronix, respectively, to elect to terminate this Agreement and discontinue efforts to effect the Arrangement for whatever reasons it may consider appropriate.

7.2 Cessation of Right

The right of any of the Parties or any other party to amend or terminate the Plan of Arrangement pursuant to §6.1 and §7.1 shall be extinguished upon the occurrence of the Effective Date.

ARTICLE 8 NOTICES

8.1 Notices

All notices which may or are required to be given pursuant to any provision of this Agreement shall be given or made in writing and shall be deemed to be validly given if served personally or by electronic transmission, in each case to the attention of the senior officer at the following addresses or at such other address as shall be specified by a Party by like notice:

In the case of PUF:

PUF Ventures Inc.
804-750 West Pender Street
Vancouver, BC V6C 2T7
Attention: Derek Ivany, CEO
Email: derek@puf.ca

In the case of Vapetronix:

Vapetronix Holdings Inc.
804-750 West Pender Street
Vancouver, BC V6C 2T7
Attention: Shawn Moniz, CEO
Email: shawn@fusionworx.com

or such other address as the Parties may, from time to time, advise to the other Parties hereto by notice in writing. Any notice that is delivered to such address shall be deemed to be delivered on the date of delivery if delivered on a Business Day prior to 4:00 p.m. (local time at the place of receipt) or on the next Business Day if delivered after 4:00 p.m. or on a non-Business Day. Any notice delivered by facsimile transmission shall be deemed to be delivered on the date of transmission if delivered on a Business Day prior to 4:00 p.m. (local time at the place of receipt) or on the next Business Day if delivered after 4:00 p.m. or on a non-Business Day.

ARTICLE 9 GENERAL

9.1 Assignment and Enurement

This Agreement shall enure to the benefit of and be binding upon the Parties hereto and their respective successors and assigns. This Agreement may not be assigned by any party hereto without the prior consent of the other Parties hereto.

9.2 Disclosure

Each Party shall receive the prior consent, not to be unreasonably withheld, of the other Parties prior to issuing or permitting any director, officer, employee or agent to issue, any press release or other written statement with respect to this Agreement or the transactions contemplated hereby. Notwithstanding the foregoing, if any Party is required by law or administrative regulation to make any disclosure relating to the transactions contemplated herein, such disclosure may be made, but that Party will consult with the other Parties as to the wording of such disclosure prior to its being made.

9.3 Costs

Except as contemplated in the Arrangement and herein, each Party hereto covenants and agrees to bear its own costs and expenses in connection with the transactions contemplated hereby.

9.4 Severability

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

- (a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and
- (b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

9.5 Further Assurances

Each Party hereto shall, from time to time and at all times hereafter, at the request of any other Party hereto, but without further consideration, do all such further acts, and execute and deliver all such further documents and instruments as may be reasonably required in order to fully perform and carry out the terms and intent hereof.

9.6 Time of Essence

Time shall be of the essence of this Agreement.

9.7 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein and the Parties hereto irrevocably attorn to the jurisdiction of the courts of the Province of British Columbia. Each of the Parties hereto hereby irrevocably and unconditionally consents to and submits to the jurisdiction of the courts of the Province of British Columbia in respect of all actions, suits or proceedings arising out of or relating to this Agreement or the matters contemplated hereby (and agrees not to commence any action, suit or proceeding relating thereto except in such courts) and further agrees that service of any process, summons, notice or document by single registered mail to the addresses of the parties set forth in this Agreement shall be effective service of process for any action, suit or proceeding brought against any Party in such court. The Parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the matters contemplated hereby in the courts of the Province of British Columbia and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding so brought has been brought in an inconvenient forum.

9.8 Waiver

No waiver by any Party shall be effective unless in writing and any waiver shall affect only the matter, and the occurrence thereof, specifically identified and shall not extend to any other matter or occurrence.

9.9 Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together constitute one and the same instrument. Execution of this Agreement electronically or manually, and the electronic delivery of this Agreement in counterparts shall constitute valid delivery of the same.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

VAPETRONIX HOLDINGS INC.

Per:

“Christopher P. Cherry”
Authorized Signatory

PUF VENTURES INC.

Per:

“Derek Ivany”
Authorized Signatory

**SCHEDULE A
TO THE ARRANGEMENT AGREEMENT**

**PLAN OF ARRANGEMENT
UNDER DIVISION 5 OF PART 9 OF THE
BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA)
S.B.C. 2002, c. 57**

**ARTICLE 1.
INTERPRETATION**

1.1 In this Plan of Arrangement, the following terms have the following meanings:

- (a) **“Agreement”**, **“herein”**, **“hereof”**, **“hereto”**, **“hereunder”** and similar expressions mean and refer to the arrangement agreement (including the schedules hereto) as supplemented, modified or amended, and not to any particular article, section, schedule or other portion hereof;
- (b) **“Applicable Laws”** means all applicable corporate laws, rules of applicable stock exchanges and applicable securities laws, including the rules, regulations, notices, instruments, blanket orders and policies of the securities regulatory authorities in Canada;
- (c) **“Arrangement”** means the arrangement pursuant to Section 288 of the BCBCA set forth in the Plan of Arrangement;
- (d) **“Arrangement Provisions”** means Part 9, Division 5 of the BCBCA;
- (e) **“Arrangement Resolution”** means the special resolution to be considered by the PUF Shareholders at the Meeting to approve the Arrangement, the full text of which is set out in Schedule B to the Agreement;
- (f) **“Assets”** means the WeedBeacon proprietary information, current app developments, databases, graphics, brochures and other marketing materials and liabilities of the Company as described in the attached Schedule C;
- (g) **“BCBCA”** means the Business Corporations Act (British Columbia), S.B.C. 2002, c.57, as amended, including the regulations promulgated thereunder;
- (h) **“Business Day”** means a day other than a Saturday, Sunday or other than a day when banks in the City of Vancouver, British Columbia are not generally open for business;
- (i) **“Company”** or **“PUF”** means PUF Ventures Inc.;
- (j) **“Computershare”** means Computershare Investor Services Inc., the registrar and transfer agent of the Company;
- (k) **“Court”** means the Supreme Court of British Columbia;
- (l) **“Dissenting Shareholder”** means an PUF Shareholder who validly exercises rights of dissent under the Arrangement and who will be entitled to be paid fair value for his, her or its PUF Shares in accordance with the Interim Order and the Plan of Arrangement;
- (m) **“Dissenting Shares”** means the PUF Shares in respect of which Dissenting Shareholders have exercised a right of dissent;
- (n) **“Effective Date”** means the date upon which the Arrangement becomes effective in accordance with the Arrangement Agreement and Final Order;
- (o) **“Final Order”** means the final order of the Court approving the Arrangement;

- (p) “**IFRS**” means International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee;
- (q) “**Circular**” means the notice of the PUF Meeting and management information circular, including all schedules, appendices and exhibits thereto and enclosures therewith and the documents incorporated by reference therein, to be sent to the PUF Shareholders in connection with the PUF Meeting, as amended, supplemented or otherwise modified from time to time;
- (r) “**Interim Order**” means an interim order of the Court concerning the Arrangement in respect of PUF, containing declarations and directions with respect to the Arrangement and the holding of the PUF Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (s) “**National Issuer**” means National Issuer Services Ltd., the registrar and transfer agent of Vapetronix;
- (t) “**PUF Board**” means the board of directors of PUF;
- (u) “**PUF Meeting**” means the annual general and special meeting of PUF Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution;
- (v) “**PUF Shareholder**” means a holder of PUF Shares;
- (w) “**PUF Shares**” means the common shares without par value in the authorized share structure of the Company;
- (x) “**PUF Subsidiary**” means Vapetronix Holdings Inc.;
- (y) “**Notice of Meeting**” means the notice of annual general and special meeting of the PUF Shareholders in respect of the PUF Meeting;
- (z) “**Person**” means an individual, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator or other legal representative;
- (aa) “**Plan of Arrangement**” means this plan of arrangement, as amended or supplemented from time to time in accordance with Article 6 hereof;
- (bb) “**Registered Shareholder**” means a registered holder of PUF Shares as recorded in the shareholder register of the Company maintained by Computershare;
- (cc) “**Registrar**” means the Registrar of Companies for the Province of British Columbia duly appointed under the BCBCA;
- (dd) “**Vapetronix**” means Vapetronix Holdings Inc., a private company continued from the federal jurisdiction of Canada to the Province of British Columbia under the BCBCA and which is a wholly-owned subsidiary of the Company;
- (ee) “**Vapetronix Shares**” means the common shares in the share capital of Vapetronix without par value;
- (ff) “**Vapetronix Shareholder**” means a holder of Vapetronix Shares; and
- (gg) “**Tax Act**” means the Income Tax Act (Canada), as may be amended, or replaced, from time to time.

1.2 The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.

- 1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Plan of Arrangement.
- 1.4 Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities, and other entities.
- 1.5 In the event that the date on which any action is required to be taken hereunder by any of the Parties is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.
- 1.6 References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

ARTICLE 2.
ARRANGEMENT AGREEMENT

- 2.1 This Plan of Arrangement is made pursuant and subject to the provisions of, and forms part of, the Arrangement Agreement.
- 2.2 This Plan of Arrangement will become effective in accordance with its terms and be binding on the Effective Date on the PUF Shareholders.

ARTICLE 3.
ARRANGEMENT

- 3.1 On the Effective Date, the following shall occur and be deemed to occur in the following chronological order without further act or formality, notwithstanding anything contained in the provisions attaching to any of the Parties, but subject to the provisions of Article 6:
- (a) PUF will distribute 100% of the Vapetronix Shares it receives to the PUF Shareholders on a pro rata basis. The PUF Shareholders will be entitled to receive one Vapetronix Share in exchange for every seven PUF Shares held as at the record date, which will be determined by a board resolutions of PUF (the “**Record Date**”). There will be no change in shareholders’ holdings in PUF as a result of the Arrangement;
 - (b) PUF will transfer the Assets to Vapetronix, which include certain accounts payable associated with the Assets;
 - (c) Vapetronix will become a reporting issuer in the Provinces of British Columbia, Alberta and Ontario; and
 - (d) The Company will retain its working capital for its Assets, and remain listed on the Exchange and continue to trade under the trading symbol, “PUF”, as a consumer products – biotechnology/pharmaceuticals company.
- 3.2 Notwithstanding §3.1(a) no fractional Vapetronix Shares shall be distributed to the PUF Shareholders, as a result all fractional share amounts arising under such sections shall be rounded down to the nearest whole number. Any Vapetronix Shares not distributed as a result of this rounding down shall be dealt with as determined by the PUF Board in its absolute discretion.
- 3.3 All Vapetronix Shares issued pursuant to this Plan of Arrangement shall be deemed to be validly issued and outstanding as fully paid and non-assessable shares for all purposes of the BCBCA.

- 3.4 The Arrangement shall become final and conclusively binding on the PUF Shareholders and Vapetronix Shareholders and the Parties on the Effective Date.
- 3.5 Notwithstanding that the transactions and events set out in §3.1 shall occur and shall be deemed to occur in the chronological order therein set out without any act or formality, each of the Parties shall be required to make, do and execute or cause and procure to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be required to give effect to, or further document or evidence, any of the transactions or events set out in §3.1 including, without limitation, any resolutions of directors authorizing the issue, transfer or redemption of shares, any share transfer powers evidencing the transfer of shares and any receipt therefore, and any necessary additions to or deletions from share registers.

ARTICLE 4. CERTIFICATES

- 4.1 Recognizing that the Vapetronix Shares shall be issued to the PUF Shareholders pursuant to §3.1(a), Vapetronix shall issue share certificates and/or Direct Registration Statements (“**DRS Advices**”) representing all of the Vapetronix Shares registered in the name of each PUF Shareholder. To facilitate the issuance of the Vapetronix Shares to the PUF Shareholders as of the Effective Date, Vapetronix shall execute and deliver to National Issuer a direction authorizing them to issue the Vapetronix Shares to such PUF Shareholders in accordance with the terms of this Plan of Arrangement and Vapetronix shall deliver a treasury order or such other direction to effect such issuance to National Issuer as requested by it.
- 4.2 As soon as practicable after the Effective Date, Vapetronix shall cause (through National Issuer) to be issued to the PUF Shareholders as of the Record Date, share certificates and/or DRS Advices representing Vapetronix Shares to which they are entitled pursuant to this Plan of Arrangement and shall cause such share certificates and/or DRS Advices to be mailed to such PUF Shareholders.
- 4.3 From and after the Effective Date, share certificates and/or DRS Advices representing PUF Shares immediately before the Effective Date, shall for all purposes be deemed to be share certificates representing Vapetronix Shares, and no new share certificates shall be issued with respect to the Vapetronix Shares issued in connection with the Arrangement.
- 4.4 PUF Shares traded, if any, after the Record Date shall represent PUF Shares, and shall not carry any right to receive a portion of the Vapetronix Shares.

ARTICLE 5. DISSENTING SHAREHOLDERS

- 5.1 Notwithstanding §3.1 hereof, holders of PUF Shares may exercise rights of dissent (the “**Dissent Right**”) in connection with the Arrangement pursuant to the Interim Order and in the manner set forth in sections 237 – 247 of the BCBCA (collectively, the “**Dissent Procedures**”).
- 5.2 Each PUF Share held by a Dissenting Shareholder will be deemed to be directly transferred and assigned by such Dissenting Shareholder to PUF (free and clear of any liens) and cancelled for the following consideration (which is more particularly described in the Plan of Arrangement): (a) the fair value of the PUF Shares (in cash) to be determined as of the close of business on the day before the Effective Time; or (b) if it is determined that a Dissenting Shareholder is not entitled, for any reason, to be paid the fair value for their PUF Shares, then such PUF Shares will be deemed to have participated in the Arrangement as of the Effective Time and such holder will be entitled to receive Vapetronix Shares as consideration as if such holder had not exercised Dissent Rights.
- 5.3 In no circumstances will PUF or any other person be required to recognize a person purporting to exercise Dissent Rights unless such person is a Registered Shareholder in respect of which such rights are sought to be exercised.

**ARTICLE 6.
AMENDMENTS**

- 6.1 The Parties may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that each such amendment, modification and/or supplement must be:
- (a) set out in writing;
 - (b) filed with the Court and, if made following the PUF Meeting, approved by the Court; and
 - (c) communicated to holders of PUF Shares and Vapetronix as the case may be, if and as required by the Court.
- 6.2 Any amendment, modification or supplement to this Plan of Arrangement may be proposed by PUF at any time prior to the PUF Meeting with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the PUF Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- 6.3 PUF, with the consent of the other parties, may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time after the PUF Meeting and prior to the Effective Date with the approval of the Court.
- 6.4 Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date but shall only be effective if it is consented to by the Parties, provided that such amendment, modification or supplement concerns a matter which, in the reasonable opinion of the Parties, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of any of the Parties or any former holder of PUF Shares or Vapetronix Shares as the case may be.

**ARTICLE 7.
REFERENCE DATE**

- 7.1 This Plan of Arrangement is dated for reference the 7th day of September, 2017.

**SCHEDULE B
TO THE ARRANGEMENT AGREEMENT**

Capitalized words used in this Schedule B and not otherwise defined shall have the meaning ascribed to such terms in the Circular.

To approve the Arrangement:

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The arrangement (the “**Arrangement**”) under Section 288 of the British Columbia *Business Corporations Act* involving PUF Ventures Inc. (“**PUF**”), all as more particularly described and set forth in the management information circular (the “**PUF Circular**”) of PUF dated October 4, 2017, accompanying the notice of this meeting (as the Arrangement may be, or may have been, modified or amended), is hereby authorized, approved and adopted.
2. The plan of arrangement, as it may be or has been amended (the “**Plan of Arrangement**”), involving PUF and implementing the Arrangement, the full text of which is set out in Appendix B to the PUF Circular, is hereby authorized, approved and adopted.
3. The arrangement agreement (the “**Arrangement Agreement**”) between PUF and Vapetronix Holdings Inc. dated September 7, 2017, and all the transactions contemplated therein, the actions of the directors of PUF in approving the Arrangement and any amendments thereto and the actions of the directors and officers of PUF in executing and delivering the Arrangement Agreement and any amendments thereto are hereby confirmed, ratified, authorized and approved.
4. Notwithstanding that these resolutions have been passed (and the Arrangement adopted) or that the Arrangement has been approved by the Supreme Court of British Columbia, the directors of PUF are hereby authorized and empowered, without further notice to, or approval of, any securityholders of PUF:
 - (a) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement; or
 - (b) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.
5. Any one or more directors or officers of PUF is hereby authorized, for and on behalf and in the name of PUF, to execute and deliver, whether under corporate seal of PUF or not, all such agreements, applications, forms, waivers, notices, certificates, confirmations and other documents and instruments and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions, the Arrangement Agreement and the completion of the Plan of Arrangement in accordance with the terms of the Arrangement Agreement, including:
 - (a) all actions required to be taken by or on behalf of PUF, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities; and
 - (b) the signing of the certificates, consents and other documents or declarations required under the Arrangement Agreement or otherwise to be entered into by PUF;

such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

**SCHEDULE C
TO THE ARRANGEMENT AGREEMENT**

ASSETS TO BE TRANSFERRED BY PUF TO VAPETRONIX

Name of the Asset	Estimated Value ⁽¹⁾
WEEDBEACON.COM BRANDING / LOGOS	Nil
WEEDBEACON SOURCE CODE	Nil
WEEDBEACON DATABASES	Nil
VAPEBEACON DATABASES	Nil
CUSTOMER LISTS	Nil
TRADE SECRETS	Nil
INDUSTRY CONTACTS, MANUFACTURER CONTACTS	Nil
PAMPHLETS AND BROCHURES	Nil

⁽¹⁾Upon applying the IFRS accounting rules, the Company was forced to write down these assets to a nominal value.



APPENDIX C -
INTERIM ORDER

NO. S-179814
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING PUF VENTURES INC., WEED
POINTS LOYALTY INC. AND THE SHAREHOLDERS OF PUF VENTURES INC.**

PUF VENTURES INC.

PETITIONER

ORDER MADE AFTER APPLICATION

INTERIM ORDER

BEFORE MASTER

BOUCK

WEDNESDAY, THE 25th DAY OF
OCTOBER, 2017.

ON THE APPLICATION WITHOUT NOTICE of the Petitioner, PUF Ventures Inc. (“PUF”) for an interim order (the “Interim Order”) pursuant to its Petition filed October 23, 2017, coming on for hearing at Vancouver, British Columbia, on the 25th day of October, 2017, and on hearing Linas Antanavicius, counsel for the Petitioner, and upon reading the Petition herein and the Affidavit #1 of Christopher P. Cherry made on October 20, 2017 and the pleadings and process filed herein:

THIS COURT ORDERS that:

Definitions

1. As used in this Order, unless otherwise defined, terms beginning with capital letters have the respective meanings set out in the notice of meeting and management information circular (the “Circular”) for the annual general and special meeting (the “Meeting”) of shareholders of PUF (the “PUF Shareholders”) attached as Exhibit “B” to the Affidavit of Christopher P. Cherry sworn on October 20, 2017 (the “Cherry Affidavit”).

The Meeting

2. Pursuant to Sections 289 and 291 of the *Business Corporations Act*, S.B.C., 2002, c. 57, as amended (the “**BCBCA**”), PUF is authorized and directed to call, hold and conduct the Meeting of the PUF Shareholders to be held at 11:00 a.m. (Vancouver time) on November 24, 2017 at Suite 804, 750 West Pender Street, Vancouver, British Columbia, V6C 2T7 or other location in British Columbia to:

- (a) receive the audited financial statements of PUF for the financial year ended December 31, 2016, the auditor’s report thereon and the management’s discussion and analysis for the financial year ended December 31, 2016;
- (b) fix the number of directors for the ensuing year;
- (c) elect directors of NRG for the ensuing year at four;
- (d) appoint auditors of PUF for the ensuing year and to authorize the board of directors of PUF (the “**Board**”) to fix the auditor’s remuneration;
- (e) re-approve the 10% rolling stock option plan of the Company;
- (f) consider, and if thought advisable, to pass, with or without amendment, a special resolution (the “**Arrangement Resolution**”) to approve an arrangement (the “**Arrangement**”) under section 288 of the BCBCA, the full text of which resolution is set forth in Appendix A to, and all as more particularly described in the Circular; and
- (g) consider other matters, including without limitation such amendments or variations to the foregoing matters, as may properly come before the Meeting or any adjournment thereof.

3. The Meeting shall be called, held and conducted in accordance with the BCBCA, the Circular and the articles of PUF, subject to the terms of this Interim Order, and any further Order of this Court, and the rulings and directions of the Chair of the Meeting, such rulings and directions not to be inconsistent with this Interim Order.

Adjournment of the Meeting

4. PUF, if it deems advisable, is specifically authorized to adjourn or postpone the Meeting on one or more occasions, without the necessity of first convening the Meeting or first obtaining any vote of the PUF Shareholders respecting the adjournment or postponement and without the need for approval of the Court. Notice of any such adjournments or postponements shall be given by press release, news release, newspaper advertisement, or by notice sent to NRG Shareholders by one of the methods specified in paragraph 9 of this Interim Order.

5. The Record Date (as defined in paragraph 7 below) shall not change in respect of adjournments or postponements of the Meeting.

Amendments

6. Prior to the Meeting, PUF is authorized to make such amendments, revisions or supplements to the Arrangement in accordance with the Arrangement Agreement without any additional notice to the PUF Shareholders, and the Arrangement as so amended, revised and supplemented shall be the Arrangement submitted to the Meeting, and the subject of the Arrangement Resolution.

Record Date

7. The record date for determining the PUF Shareholders entitled to receive notice of, attend and vote at the Meeting shall be October 4, 2017 (the “**Record Date**”), as previously approved by the Board or such other date as the Board may determine as disclosed to the PUF Shareholders in the manner they see fit.

The Meeting Materials

8. The Circular is hereby deemed to represent sufficient and adequate disclosure, including for the purpose of Section 290(1)(a) of the BCBCA, and PUF shall not be required to send to the PUF Shareholders any other or additional statement pursuant to Section 290(1)(a) of the BCBCA.

9. The Circular, form of proxy and voting instructions in substantially the same form as contained in Exhibits “B”, “C” and “D” to the Cherry Affidavit (collectively, the “**Meeting Materials**”), with such deletions, amendments or additions thereto as counsel for the Petitioner may advise are necessary or desirable, provided that such amendments are not inconsistent with the terms of this Interim Order, shall be sent to:

- (a) the PUF Shareholders as they appear on the securities registers of PUF as at the Record Date, such Meeting Materials to be sent at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing, delivery or transmittal and excluding the date of the Meeting, by one or more of the following methods:
 - (i) by prepaid ordinary or air mail addressed to the PUF Shareholder at his, her or its address as it appears on the applicable register of holders of PUF as at the Record Date;
 - (ii) by delivery in person or by delivery to the addresses specified in paragraph 9 (a)(i) above; or
 - (iii) by email or facsimile transmission to any PUF Shareholder who identifies himself, herself or itself to the satisfaction of PUF, acting through its representatives, who requests such email or facsimile transmission; and
- (b) in the case of non-registered PUF Shareholders, by providing copies of the Meeting Materials to intermediaries and registered nominees for sending to beneficial owners;

and substantial compliance with this paragraph shall constitute good and sufficient notice of the Meeting.

10. Accidental failure of or omission by PUF to give notice to any one or more PUF Shareholders, or the non-receipt of such notice by one or more PUF Shareholders, or any failure or omission to give such notice as a result of events beyond the reasonable control of NRG (including, without limitation, any inability to use postal services), shall not constitute a breach of this Interim Order or, in relation to notice to PUF Shareholders, a defect in the calling of the Meeting, and shall not invalidate any resolution passed or proceeding taken at the Meeting, but if any such failure or omission is brought to the attention of PUF then it shall use reasonable best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

Deemed Receipt of Meeting Materials

11. The Meeting Materials shall be deemed, for the purposes of this Order, to have been received:

- (a) in the case of mailing, the day, Saturdays and holidays excepted, following the date of mailing;
- (b) in the case of delivery in person, the day following personal delivery or the day following delivery to the person's address in paragraph 9 above; and
- (c) in the case of any means of transmitted, recorded or electronic communication, when dispatched or delivered for dispatch.

Updating Meeting Materials

12. Notice of any amendments, updates or supplement to any of the information provided in the Meeting Materials may be communicated to the PUF Shareholders by press release, news release, newspaper advertisement or by notice sent to the PUF Shareholders by any of the means set forth in paragraph 9 herein, as determined to be the most appropriate method of communication by the Board.

Quorum and Voting

13. The quorum for the Meeting shall be the quorum for the approval of a special resolution pursuant to the articles of PUF.

14. The votes taken at the Meeting shall be taken on the basis of one vote per common share and the vote required to pass the Arrangement Resolution shall be the affirmative vote of at least 66 ²/₃% of the aggregate votes cast by the PUF Shareholders, voting as a single class, present in person or represented by proxy at the Meeting.

15. In all other respects, the terms, restrictions and conditions of the articles of PUF will apply in respect of the Meeting.

Permitted Attendees

16. The only persons entitled to attend the Meeting shall be the registered PUF Shareholders or their respective proxyholders as of the Record Date, PUF's Board, officers, auditors, the directors,

officers, auditors and advisors of Weed Points Loyalty Inc., and any other person admitted on the invitation of the Chair or with the consent of the Meeting, and the only persons entitled to be represented and to vote at the Meeting shall be the registered PUF Shareholders as at the close of business on the Record Date, or their respective proxyholders.

Scrutineers

17. A representative of PUF's registrar and transfer agent (or any agent thereof) is authorized to act as scrutineer for the Meeting.

Solicitation of Proxies

18. PUF is authorized to use the form of proxy in connection with the Meeting, in substantially the same form as attached as **Exhibit "C"** to the Cherry Affidavit and PUF may in its discretion waive generally the time limits for deposit of proxies by PUF Shareholders if PUF deems it reasonable to do so. PUF is authorized, at its expense, to solicit proxies, directly and through its officers, directors and employees, and through such agents or representatives as it may retain for the purpose, and by mail or such other forms of personal or electronic communication as it may determine.

19. The procedure for the use of proxies at the Meeting shall be as set out in the Meeting Materials.

Dissent Rights

20. Each of the PUF Shareholders may exercise rights of dissent ("**Dissent Rights**") under Division 2 of Part 8 of the BCBCA, as modified by Article 4 of the Plan of Arrangement with respect to common shares of PUF in connection with the Arrangement, provided that the notice of dissent contemplated by Section 242 of the BCBCA must be received by PUF at Suite 804 – 750 West Pender Street, Vancouver, British Columbia, Canada V6C 2T7, Attention: Corporate Secretary, by 11:00 a.m. (Vancouver time) on November 22, 2017, or two business days prior to the date of the Meeting or any date to which the Meeting may be postponed or adjourned.

Application for Final Order

21. Upon the approval, with or without variation by the PUF Shareholders of the Arrangement, in the manner set forth in this Interim Order, PUF may apply to this Court for, *inter alia*, an Order:

- (a) pursuant to BCBCA Section 291(4)(a) approving the Arrangement; and
- (b) pursuant to BCBCA Section 291(4)(c) declaring that the terms and conditions of the Arrangement are fair and reasonable

(collectively, the "**Final Order**")

and that the hearing of the Final Order will be held on November 30, 2017 at 9:45 a.m. (Vancouver time) at the Courthouse at 800 Smithe Street, Vancouver, British Columbia or as soon thereafter as the hearing of the Final Order can be heard or at such other date and time as this Court may direct.

22. The form of Notice of Hearing of Petition, attached as **Appendix "E"** to the Circular, is hereby approved as the form of notice of proceedings for such approval.

23. Any PUF Shareholder has the right to appear (either in person or by counsel) and make submissions at the hearing of the application for the Final Order.

24. Any PUF Shareholder, director or auditor of the Petitioner, or any other interested party with leave of the Court, may appear at the hearing of the Final Order provided that such person shall file a Response to the Petition herein in the form prescribed by the Rules of Court of the Supreme Court of British Columbia, and deliver a copy of the filed Response, together with a copy of all material on which such person intends to rely at the hearing, to counsel for the Petitioner at its address for delivery as set out in the Petition, on or before 4:00 p.m. (Vancouver Time) on November 28, 2017, or as the Court may otherwise direct.

25. Sending the Notice of Hearing of Petition and this Interim Order as attached to the Circular in accordance with paragraph 9 of this Order shall constitute good and sufficient service of the within proceedings and no other form of service need be made and no other material need be served on such persons in respect of these proceedings and that service of the affidavits in support is dispensed with.

26. In the event the hearing for the Final Order is adjourned, only those persons who have filed and delivered a Response to Petition in accordance with this Interim Order need be served with materials filed in this proceeding and provided with notice of the adjourned hearing date.

Variance and Further Court Orders

27. The Petitioner shall be entitled, at any time, to apply to vary this Interim Order or to apply for further Orders as may be appropriate.

28. British Columbia Supreme Court Civil Rules 8-1 and 16-1(3) will not apply to any further applications in respect of this proceeding, including the application for the Final Order and any application to vary this Interim Order.

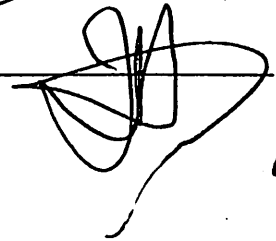
THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:



Linas Antanavicius
COUNSEL FOR THE PETITIONER BY THE

BY THE COURT 

REGISTRAR



APPENDIX D - DISSENT PROCEDURES

Pursuant to the Interim Order, PUF Shareholders have the right to dissent to the Arrangement. Such right of dissent is described in the Circular. See *Rights of Dissent* for details of the right to dissent and the procedure for compliance with the right of dissent. The full text of Sections 237 to 247 of the BCBCA is set forth below. Note that certain provisions of Sections 237 to 247 have been modified by the Interim Order.

SECTIONS 237 TO 247 OF THE BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA)

Definitions and application

237 (1) In this Division:

“**dissenter**” means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

“**notice shares**” means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

“**payout value**” means,

- (a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,
- (b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291(2)(c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement, or
- (c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order, excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that

- (a) the court orders otherwise, or
- (b) in the case of a right of dissent authorized by a resolution referred to in section 238(1)(g), the court orders otherwise or the resolution provides otherwise.

Right to dissent

238 (1) A shareholder of a company, whether or not the shareholder’s shares carry the right to vote, is entitled to dissent as follows:

- (a) under section 260, in respect of a resolution to alter the articles (i) to alter restrictions on the powers of the company or on the business it is permitted to carry on;
- (b) under section 272, in respect of a resolution to adopt an amalgamation agreement;
- (c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;
- (d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;
- (e) under section 301(5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company’s undertaking;
- (f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;

- (g) in respect of any other resolution, if dissent is authorized by the resolution;
- (h) in respect of any court order that permits dissent.
- (2) A shareholder wishing to dissent must
 - (a) prepare a separate notice of dissent under section 242 for
 - (i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and
 - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,
 - (b) identify in each notice of dissent, in accordance with section 242(4), the person on whose behalf dissent is being exercised in that notice of dissent, and
 - (c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.
- (3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must
 - (a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and
 - (b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

Waiver of right to dissent

- 239 (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.
- (2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must
- (a) provide to the company a separate waiver for
 - (i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and
 - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and
 - (b) identify in each waiver the person on whose behalf the waiver is made.
- (3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to
- (a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and
 - (b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.
- (4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

Notice of resolution

- 240 (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,
- (a) a copy of the proposed resolution, and
 - (b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.
- (2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,
- (a) a copy of the proposed resolution, and
 - (b) a statement advising of the right to send a notice of dissent.
- (3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,
- (a) a copy of the resolution,
 - (b) a statement advising of the right to send a notice of dissent, and
 - (c) if the resolution has passed, notification of that fact and the date on which it was passed.
- (4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

Notice of court orders

- 241 If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent
- (a) a copy of the entered order, and
 - (b) a statement advising of the right to send a notice of dissent.

Notice of dissent

- 242 (1) A shareholder intending to dissent in respect of a resolution referred to in section 238(1)(a), (b), (c), (d), (e) or (f) must,
- (a) if the company has complied with section 240(1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,
 - (b) if the company has complied with section 240(3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or
 - (c) if the company has not complied with section 240(1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of
 - (i) the date on which the shareholder learns that the resolution was passed, and

- (ii) the date on which the shareholder learns that the shareholder is entitled to dissent.
- (2) A shareholder intending to dissent in respect of a resolution referred to in section 238(1)(g) must send written notice of dissent to the company
- (a) on or before the date specified by the resolution or in the statement referred to in section 240(2)(b) or (3)(b) as the last date by which notice of dissent must be sent, or
 - (b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.
- (3) A shareholder intending to dissent under section 238(1)(h) in respect of a court order that permits dissent must send written notice of dissent to the company
- (a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or
 - (b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.
- (4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:
- (a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;
 - (b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and
 - (i) the names of the registered owners of those other shares,
 - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
 - (iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;
 - (c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and
 - (i) the name and address of the beneficial owner, and
 - (ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.
- (5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

Notice of intention to proceed

- 243 (1) A company that receives a notice of dissent under section 242 from a dissenter must,
- (a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of
 - (i) the date on which the company forms the intention to proceed, and
 - (ii) the date on which the notice of dissent was received, or

- (b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.
- (2) A notice sent under subsection (1) (a) or (b) of this section must
 - (a) be dated not earlier than the date on which the notice is sent,
 - (b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and
 - (c) advise the dissenter of the manner in which dissent is to be completed under section 244.

Completion of dissent

- 244 (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,
- (a) a written statement that the dissenter requires the company to purchase all of the notice shares,
 - (b) the certificates, if any, representing the notice shares, and if section 242(4)(c) applies, a written statement that complies with subsection of this section.
 - (2) The written statement referred to in subsection (1)(c) must
 - (a) be signed by the beneficial owner on whose behalf dissent is being exercised, and
 - (b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out
 - (i) the names of the registered owners of those other shares,
 - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
 - (iii) that dissent is being exercised in respect of all of those other shares.
 - (3) After the dissenter has complied with subsection (1),
 - (a) the dissenter is deemed to have sold to the company the notice shares, and
 - (b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.
 - (4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.
 - (5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.
 - (6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

Payment for notice shares

- 245 (1) A company and a dissenter who has complied with section 244(1) may agree on the amount of the payout value of the notice shares and, in that event, the company must

- (a) promptly pay that amount to the dissenter, or
 - (b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.
- (2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may
- (a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,
 - (b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244(1), and
 - (c) make consequential orders and give directions it considers appropriate.
- (3) Promptly after a determination of the payout value for notice shares has been made under subsection (2)
- (a) of this section, the company must
- (a) pay to each dissenter who has complied with section 244(1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or
 - (b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.
- (4) If a dissenter receives a notice under subsection (1) (b) or (3) (b),
- (a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or
 - (b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.
- (5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that
- (a) the company is insolvent, or
 - (b) the payment would render the company insolvent.

Loss of right to dissent

246 The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:

- (a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;
- (b) the resolution in respect of which the notice of dissent was sent does not pass;
- (c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;
- (d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;

- (e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;
- (f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;
- (g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;
- (h) the notice of dissent is withdrawn with the written consent of the company;
- (i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

Shareholders entitled to return of shares and rights

247 If, under section 244(4) or (5), 245(4) (a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

- (a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244(1)(b) or, if those share certificates are unavailable, replacements for those share certificates,
- (b) the dissenter regains any ability lost under section 244(6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and
- (c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

**APPENDIX E -
NOTICE OF HEARING**

NO. S-179814
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING PUF VENTURES INC., WEED POINTS
LOYALTY INC. AND THE SHAREHOLDERS OF PUF VENTURES INC.

PUF VENTURES INC.

PETITIONER

NOTICE OF HEARING

To: The Shareholders of PUF Ventures Inc. and Weed Points Loyalty Inc.

TAKE NOTICE that a Petition has been filed by PUF Ventures Inc. (the “Petitioner”) in the Supreme Court of British Columbia for approval of the plan of arrangement (the “Arrangement”), pursuant to the Business Corporations Act, S.B.C 2002, Chapter 57, as amended.

AND TAKE FURTHER NOTICE that by an Interim Order of the Supreme Court of British Columbia, pronounced on October 25, 2017, the Court has given directions as to the calling of annual general and special meeting of the holders of commons shares (the “PUF Shareholders”) in the capital of the Petitioner for the purpose, inter alia, of considering and voting upon the Arrangement and approving the Arrangement.

AND TAKE FURTHER NOTICE that the Petition of PUF Ventures Inc. filed on October 23, 2017 for a Final Order approving the Arrangement and for a determination that the terms and conditions of the Arrangement are fair to the PUF Shareholders shall be heard before the presiding judge in Chambers at the courthouse at 800 Smithe Street, Vancouver, British Columbia on November 30, 2017 at 9:45 a.m. or soon thereafter as counsel may be heard.

A copy of the said Petition and other documents in the proceedings will be furnished to any PUF Shareholder upon request in writing to the Petitioner’s counsel at 1150 – 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

1. Date of Hearing

The Petition is unopposed, by consent or without notice.

The date of the hearing has been determined pursuant to the Interim Order. The Petitioner expects that the Petition will be unopposed.

2. Duration of Hearing

The time estimate of the Petitioner is 15 minutes.

3. Jurisdiction

This matter is not within the jurisdiction of a master

Dated at the City of Vancouver, in the Province of British Columbia, this 25th day of October, 2017.

“Linas Antanavicius”

Linas Antanavicius
COUNSEL FOR THE PETITIONER

This Notice of Hearing is filed by Linas Antanavicius, whose place of business and address for delivery is 1150 – 789 West Pender Street, Vancouver, British Columbia V6C 1H2.

**APPENDIX F -
AUDIT COMMITTEE CHARTER**

1. Overall Purpose / Objectives

The Audit Committee will assist the Board of Directors in fulfilling its responsibilities. The Audit Committee will review the financial reporting process, the system of internal control and management of financial risks and the audit process. In performing its duties, the committee will maintain effective working relationships with the Board of Directors, management, and the external auditors and monitor the independence of those auditors. To perform his or her role effectively, each committee member will obtain an understanding of the responsibilities of committee membership as well as the Company's business, operations and risks.

2. Authority

The Board authorizes the audit committee, within the scope of its responsibilities, to seek any information it requires from any employee and from external parties, to obtain outside legal or professional advice, to set and pay the compensation for any advisors employed by the Audit Committee, to ensure the attendance of Company officers at meetings as appropriate and to communicate directly with the Company's external auditors.

3. Organization

Membership

The Audit Committee will be comprised of at least three members, a majority of which are not officers or employees of the Company.

The chairman of the Audit Committee will be nominated by the Audit Committee from the members of the Audit Committee which are not officers or employees of the Company, or a company associated or affiliated with the Company, from time to time.

A quorum for any meeting will be two members.

The secretary of the Audit Committee will be the Company secretary, or such person as nominated by the Chairman.

Attendance at Meetings

The Audit Committee may invite such other persons (e.g. the President or Chief Financial Officer) to its meetings, as it deems appropriate.

Meetings shall be held not less than four times a year. Special meetings shall be convened as required. External auditors may convene a meeting if they consider that it is necessary.

The proceedings of all meetings will be minuted.

4. Roles and Responsibilities

The Audit Committee will:

- Gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.
- Gain an understanding of the current areas of greatest financial risk and whether management is managing these effectively.
- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.

- Review any legal matters which could significantly impact the financial statements as reported on by the general counsel and meet with outside counsel whenever deemed appropriate.
- Review the annual and quarterly financial statements including Management’s Discussion and Analysis and annual and interim earnings press releases prior to public dissemination, including any certification, report, opinion, or review rendered by the external auditors and determine whether they are complete and consistent with the information known to committee members; determine that the auditors are satisfied that the financial statements have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards.
- Pay particular attention to complex and/or unusual transactions such as those involving derivative instruments and consider the adequacy of disclosure thereof.
- Focus on judgmental areas, for example those involving valuation of assets and liabilities and other commitments and contingencies.
- Review audit issues related to the Company’s material associated and affiliated companies that may have a significant impact on the Company’s equity investment.
- Meet with management and the external auditors to review the annual financial statements and the results of the audit.
- Review the interim financial statements and disclosures, and obtain explanations from management on whether:
 - (a) actual financial results for the interim period varied significantly from budgeted or projected results;
 - (b) accounting policies consistent with International Financial Reporting Standards have been consistently applied;
 - (c) there are any actual or proposed changes in accounting or financial reporting practices;
 - (d) there are any significant or unusual events or transactions which require disclosure and, if so, consider the adequacy of that disclosure; and
 - (e) review the external auditors’ proposed audit scope and approach and ensure no unjustifiable restriction or limitations have been placed on the scope.
- Review the performance of the external auditors and approve in advance provision of services other than auditing. Consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Company. The Board authorizes the Chairman of the Audit Committee to pre-approve any non-audit or additional audit work which the Chairman deems as necessary and to notify the other members of the Audit Committee of such non-audit or additional work.
- Make recommendations to the Board regarding the reappointment of the external auditors and the compensation to be paid to the external auditor.
- Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
- Review and approve the Company’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.
- Establish a procedure for:

- (a) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and
 - (b) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters.
- Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.
 - Endeavor to cause the receipt and discussion on a timely basis of any significant findings and recommendations made by the external auditors.
 - Ensure that the Board is aware of matters which may significantly impact the financial condition or affairs of the business.
 - Perform other functions as requested by the full Board.
 - If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist, and set the compensation to be paid to such special counsel or other experts.
 - Review and recommend updates to the charter; receive approval of changes from the Board.

**APPENDIX G -
AUDITED FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
PUF VENTURES INC.
FOR THE YEAR ENDED DECEMBER 31, 2016**

PUF VENTURES INC.

**Consolidated Financial Statements
Year Ended December 31, 2016**

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of PUF Ventures Inc.

We have audited the accompanying consolidated financial statements of PUF Ventures Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidate Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of PUF Ventures Inc. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about PUF Ventures Inc's ability to continue as a going concern.

Dma

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
May 3, 2017

PUF VENTURES INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	December 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash		\$ 496,746	\$ 123,264
GST receivable		20,753	13,165
Inventory – finished goods		-	23,396
Investment held for sale	4	-	4,000
Loan to related parties	12	-	11,895
Prepays		62,500	202,378
		579,999	378,098
Loans receivable	5	477,514	332,710
Exploration and evaluation assets	6	154,300	16,000
Investment	7	512,389	718,147
Property	8	-	1,494,720
Intellectual property	9	-	609,439
TOTAL ASSETS		\$ 1,724,202	\$ 3,549,114
LIABILITIES			
Current liabilities			
Trade payables		\$ 264,029	\$ 53,089
Accrued liabilities		20,000	20,000
Mortgage payable	10	-	1,507,391
TOTAL CURRENT LIABILITIES		284,029	1,580,480
SHAREHOLDERS' EQUITY			
Share capital	11	15,551,901	14,254,178
Reserves	11	1,405,956	1,639,320
Deficit		(15,517,684)	(13,924,864)
TOTAL SHAREHOLDERS' EQUITY		1,440,173	1,968,634
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 1,724,202	\$ 3,549,114

Nature and continuance of operations (Note 1)

Subsequent events (Note 17)

PUF VENTURES INC.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	Years ended	
		December 31, 2016	December 31, 2015
Sales		\$ 138,850	\$ 9,008
Cost of goods sold		(137,232)	(10,970)
		1,618	(1,962)
Rental income		-	3,101
		1,618	1,139
Expenses			
Accounting and auditing	12	25,460	44,153
Bad debts	5	-	23,723
Consulting and management	12	524,272	476,290
Development costs	9	210,000	-
Depreciation and amortization	9	186,889	158,267
Insurance		6,201	15,551
Investor communications		47,712	7,686
Legal		43,320	47,155
Office and sundry	12	45,465	113,007
Regulatory and transfer agent fees		36,577	18,341
Share-based compensation	11, 12	249,164	318,437
Travel and business development		7,790	22,782
		(1,382,850)	(1,245,392)
Other items			
Share of equity accounted investment loss	7	(205,758)	-
Gain on settlement of mortgage		12,671	-
Gain on equity investment	7	-	170,147
Foreign exchange gain		-	15,675
Impairment of property	8	-	(200,754)
Loss on shares for debt settlement		(87,857)	-
Gain on sale of investment	4	30,000	-
Forgiveness of debt		-	15,239
Write-off of intellectual property	9	(422,550)	-
Write-off of exploration and evaluation assets	6	-	(194,454)
Unrealized loss on investment held for sale	4	-	(8,000)
Reversal of flow-through share premium	11	13,000	-
		(660,494)	(202,147)
Comprehensive loss for the year		\$ (2,041,726)	\$ (1,446,400)
Net loss per share – basic and diluted		\$ (0.07)	\$ (0.11)
Weighted average number of shares outstanding		28,828,822	13,723,174

See accompanying notes to the consolidated financial statements

PUF VENTURES INC.

Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)

	Share capital		Share-based payment reserves	Warrant reserve	Deficit	Total
	Number of shares	Amount				
Balance at December 31, 2014	7,788,394	\$ 11,972,428	\$ 581,853	\$ 620,244	\$ (12,663,909)	\$ 510,616
Comprehensive loss:						
Net and comprehensive loss	-	-	-	-	(1,446,400)	(1,446,400)
Shares issued for investment (Notes 7 and 11)	1,587,500	428,000	-	-	-	428,000
Shares issued for acquisition (Notes 9 and 11)	1,750,000	630,000	-	-	-	630,000
Units issued as finder's fee for acquisition (Notes 9 and 11)	175,000	63,000	-	57,184	-	120,184
Shares issued for cash (Note 11)	7,166,000	1,340,220	-	92,980	-	1,433,200
Share issuance costs - cash (Note 11)	-	(55,403)	-	-	-	(55,403)
Share issuance costs - agent warrants (Note 11)	-	(154,067)	-	154,067	-	-
Warrants exercised (Note 11)	100,000	30,000	-	-	-	30,000
Fair value of stock options cancelled/expired	-	-	(127,663)	-	127,663	-
Warrants expired (Note 11)	-	-	-	(57,782)	57,782	-
Share-based compensation (Note 11)	-	-	318,437	-	-	318,437
Balance at December 31, 2015	18,566,894	14,254,178	772,627	866,693	(13,924,864)	1,968,634
Comprehensive loss:						
Net and comprehensive loss for the year	-	-	-	-	(2,041,726)	(2,041,726)
Shares issued for debt (Note 11)	3,845,260	317,621	-	-	-	317,621
Shares issued for exploration and evaluation asset (Notes 6 and 11)	2,000,000	130,000	-	-	-	130,000
Shares issued for cash (Note 11)	5,867,000	577,100	-	-	-	577,100
Share issuance costs - cash (Note 11)	-	(14,700)	-	-	-	(14,700)
Share issuance costs - agent warrants (Note 11)	-	(16,893)	-	16,893	-	-
Warrants exercised (Note 11)	1,275,400	157,080	-	-	-	157,080
Options exercised (Note 11)	550,000	110,000	-	-	-	110,000
Fair value of stock options exercised/cancelled/expired (Note 11)	-	50,515	(499,421)	-	448,906	-
Share-based compensation (Note 11)	-	-	249,164	-	-	249,164
Flow-through share premium (Note 11)	-	(13,000)	-	-	-	(13,000)
Balance at December 31, 2016	32,104,555	\$ 15,551,901	\$ 522,370	\$ 883,586	\$ (15,517,684)	\$ 1,440,173

See accompanying notes to the consolidated financial statements

PUF VENTURES INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended	
	December 31, 2016	December 31, 2015
Operating activities		
Net loss for the year	\$ (2,041,726)	\$ (1,446,400)
Adjustments for:		
Depreciation and amortization	186,889	158,267
Bad debt	-	23,723
Foreign exchange	-	(448)
Gain on debt forgiven	-	(15,239)
Share of equity accounted investment losses	205,758	-
Gain on conversion of investment to equity	-	(170,147)
Impairment of exploration and evaluation	-	194,454
Impairment of property	-	200,754
Loss on investment	-	8,000
Share-based compensation	249,164	318,437
Non cash fees and interest accrued	210,000	72,671
Gain on settlement of mortgage	(12,671)	-
Gain on sale of investment	(30,000)	-
Write-off of intangible assets	422,550	-
Loss on settlement of shares for debt	87,857	-
Reversal of flow-through share premium	(13,000)	-
Changes in non-cash working capital items:		
GST receivable	(7,588)	(8,866)
Prepays	139,878	(163,819)
Inventory	23,396	(23,396)
Accounts payable and accruals	127,795	(29,930)
Net cash flows used in operating activities	(451,698)	(881,939)
Financing activities		
Mortgage, net	-	1,494,720
Related parties loans	-	(84,255)
Proceeds on issuance of common shares, net	829,480	1,288,935
Net cash flows provided by financing activities	829,480	2,699,400
Investing activities		
Proceeds from sale of investment	50,000	-
Expenditures on mineral properties	(24,300)	-
Loans receivable	(30,000)	(112,710)
Purchase of land and building	-	(1,689,134)
Return of reclamation bond	-	18,000
Net cash flows used in investing activities	(4,300)	(1,783,844)
Change in cash	373,482	33,617
Cash, beginning	123,264	89,647
Cash, ending	\$ 496,746	\$ 123,264

Non-cash transactions (Note 13)

1. NATURE AND CONTINUANCE OF OPERATIONS

PUF Ventures Inc. (the "Company") was incorporated on June 24, 2004 pursuant to the Business Corporations Act (British Columbia). On February 9, 2011, the name of the Company was changed from New High Ridge Resources Inc. to Newton Gold Corp., on November 7, 2013 to Chlormet Technologies, Inc., and on November 13, 2015 to PUF Ventures Inc. Until June 18, 2014, the Company was listed on the TSX Venture Exchange under the symbol "CMT". Effective June 19, 2014 the Company is listed on the Canadian Securities Exchange ("CSE" or the "Exchange") under the symbol "PUF".

On March 26, 2014, the Company acquired a 16.5% interest in AAA Heidelberg Inc. ("AAA-H"), a private company located in Ontario, for cash of \$120,000. The Company signed a Letter of Intent ("LOI") with the principals of AAA-H whereby the Company was granted the exclusive option to acquire the balance of the 83.5% interest subject to certain conditions including the grant of a Marijuana for Medical Purposes Regulations ("MMPR") license and by issuing up to 4,587,500 common shares of the Company subject to CSE escrow policies. The Share Exchange Agreement was finalized effective January 26, 2015. On February 24, 2015, the first tranche of 1,087,500 common shares representing an additional 19.79% interest was completed. On October 30, 2015, the second tranche of 500,000 common shares representing an additional 9.1% interest was completed. The Company now has a 45.39% ownership interest in AAA-H (Note 7).

On May 12, 2015, the Company acquired 100% of VapeTronix Inc. ("VapeTronix"). VapeTronix is a Canadian vaporizer and electronic cigarette company registered in the Province of Ontario. VapeTronix owns the exclusive rights to the "1313" electronic cigarette brand, a medicinal marijuana mobile application technology, and several research and development projects.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Further discussion of liquidity risk has been disclosed in Note 15.

At December 31, 2016, the Company has a working capital of \$295,970 (2015 – deficiency of \$1,202,382), and an accumulated deficit of \$15,517,684 (2015 - \$13,924,864).

The Company generates minimal cash flow from operations and therefore relies upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the statement of financial position classifications used. These consolidated financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

The Company's corporate office is located at Suite 804, 750 Pender Street, Vancouver, British Columbia V6C 2T7.

During the year ended December 31, 2016, the Company completed a share consolidation on a 4 for 1 basis. All share capital numbers have been restated to reflect the share consolidation.

2. BASIS OF PREPARATION

a) Basis of preparation

The consolidated financial statements of the Company comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

b) Basis of consolidation

A subsidiary is an entity the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. These consolidated financial statements include the accounts of the Company and its Canadian and US subsidiaries:

	Ownership Interest	Jurisdiction	Nature of Operations
1313 Wear Ltd.	100%	Canada	Holds 1313 trademark
PacCan Real Estate Holdings Corporation	100%	Washington, USA	Rental property
VapeTronix, Inc	100%	Canada	E-Cigarette sales

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

c) Presentation and functional currency

The functional currency of the parent company, is the Canadian dollar, which is also the presentation currency of the consolidated financial statements. The functional currency of the Company’s Canadian and US subsidiaries is also the Canadian dollar.

Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the closing rate (the exchange rate at the reporting date).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in the profit or loss.

d) Significant accounting judgments and estimates

The preparation of these financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of these financial statements also requires management to exercise judgment in the process of applying the accounting policies.

2. BASIS OF PREPARATION (continued)

d) Significant accounting judgments and estimates (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year: impairment of non-financial assets; and share-based compensation.

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its exploration and evaluation assets. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from exploration and evaluation assets and subject to different accounting treatment. As at December 31, 2016 and 2015, management had determined that no reclassification of exploration and evaluation assets was required.

The allocation of the purchase price and subsequent costs between land and building required judgment. The allocation was determined using the latest property tax assessment.

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the annual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any derivative financial instruments.

i) Financial assets

The Company classifies its financial assets into categories at initial recognition, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

(a) Fair value through profit or loss

This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value, with changes in fair value recognized in profit or loss. Investments in marketable securities are classified as fair value through profit or loss.

(b) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company has classified cash, advances to related parties and loans receivable as loans and receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

i) Financial assets (continued)

(c) Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. The Company has not classified any financial assets as held-to-maturity investments.

(d) Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income or loss ("OCI"). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from OCI and recognized in profit or loss.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

ii) Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

(a) Fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value, with changes in fair value recognized in the statement of comprehensive loss. The Company has not classified any financial liabilities as fair value through profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

ii) Financial liabilities (continued)

(b) Other financial liabilities

This category includes all other financial liabilities which are recognized at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial instrument, or, where appropriate, a shorter period. The Company has classified accounts payable, and mortgage payable as other financial liabilities.

b) Equity accounted investments

Equity accounted investments are those entities in which the Company has significant influence, but does not have control over the financial and operating policies of the investees. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity. Joint arrangement entities are those over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Joint ventures are joint arrangements, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's share of earnings or losses less dividends since significant influence was acquired. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to \$nil and additional losses are not provided for unless the Company is committed to provide other financial support to the investee. The Company resumes accounting for its portion of income (loss) of the investment when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended.

Profits or losses resulting from transactions between the Company and its associates are eliminated to the extent of the interest in the associate. The Company determines at each reporting date whether there is objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary adjustments are made to bring the accounting policies of associates in line with those of the Company.

c) Cash

Cash in the statement of financial position are comprised of cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral properties; accordingly, it follows the practice of capitalizing all costs, once it has the legal right to explore, relating to the acquisition of, exploration for, and development of mineral properties, and crediting all proceeds received against the cost of the related properties. Such costs include, but are not limited to geological, geophysical studies, exploratory drilling, and sampling.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves.

The aggregate costs related to abandoned mineral properties are charged to net income (loss) at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to an exploration and evaluation asset is subsequently reversed if new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes a gain on sale of exploration and evaluation assets when the proceeds received or receivable are in excess of the carrying amount. This gain is recognized in profit or loss for the period.

e) Property and equipment

Property and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive loss.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Property and equipment (continued)

Equipment is depreciated annually at the following rates using the declining-balance method when the asset becomes available for use, and in the year of acquisition, only one-half of normal rates are used.

f) Intellectual Property

Intellectual property is measured at cost less accumulated amortization and accumulated impairment losses. The cost of intellectual property consists of the purchase price, and any costs directly attributable to bringing the asset into use. Subsequent expenditures on intellectual property are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit and loss as incurred.

Intellectual property is amortized over 4 years, on the straight line method.

g) Impairment

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the closing rate (the exchange rate at the reporting date).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in the profit or loss.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency gains and losses are reported on a net basis and included in profit or loss.

i) Share capital

i) Common shares

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

ii) Flow-through shares

The Company will from time to time issue flow-through common shares to finance its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax benefit of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: i) share capital, equal to the market value of the shares; ii) a flow-through share premium liability, equal to the estimated premium, if any, investors pay for the flow-through feature; and iii) reserve for warrants, equal to the remaining proceeds received.

When qualifying expenses are incurred, the Company recognizes a deferred tax liability and deferred tax expense for the value of the tax benefit renounced to the shareholders. The Company derecognizes the liability on the flow-through share premium, as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian exploration expenses (as defined in the Income Tax Act). The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as unspent commitment/other liability (liability on flow-through share premium).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Share capital (continued)

iii) Non-monetary consideration

Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

j) Sales revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Sales revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involved with the goods, and the amount of revenue can be measured reliably. The transfer of risks and rewards occurs when the product is received by the customer.

k) Rental income

Rental income from property is recognized as revenue on a straight-line basis over the term of the lease.

l) Share-based payment transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where share options are granted to non-employees, fair value is measured at grant date at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

All share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for unused tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

n) Rehabilitation provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises and the amount can be reliably estimated. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Loss per share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

p) Segment reporting

The Company operates in four reportable segments: (i) the acquisition, exploration, and development of exploration and evaluation assets; (ii) the medical marijuana industry through the purchase of an interest in a private Ontario company that is in the process of applying for a MMPR license; (iii) the sale of e-cigarettes; and (iv) ownership of rental property in the State of Washington.

q) New accounting standards and interpretations not yet adopted

The following accounting pronouncement has been released but has not yet been adopted by the Company:

i) IFRS 9 Financial Instruments

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 *Financial Instruments* (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is tentatively effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. INVESTMENT HELD FOR SALE

On January 15, 2015, the Company finalized an agreement with Kiska Metals Corporation ("Kiska") for the option of the Company's Chuchi property. At December 31, 2015, the Company held 200,000 common shares of Kiska which had a fair value of \$4,000 and an original cost of \$12,000. During the year ended December 31, 2016, the Company received an additional 800,000 shares of Kiska (Notes 6). During the year ended December 31, 2016, the Company sold 1,000,000 shares of Kiska for gross proceeds of \$50,000 and realized a gain of \$30,000.

5. LOANS RECEIVABLE

On November 3, 2014, the Company provided a loan in the amount of US\$17,000 (\$19,722) to the manager of the Company's US subsidiary. The loan stated that it would be repaid in full within 30 days of written request. On April 9, 2015, a written demand for the loan receivable was made to the borrower with repayment to occur within 30 days from the date of demand. During the year ended December 31, 2015, the loan was not repaid and the Company consequently recorded a bad debt of \$23,723.

On November 3, 2014, the Company provided AAA-H with a \$160,000 loan. On February 20, 2015, the Company guaranteed a first mortgage to a third party in the amount of \$400,000 on behalf of AAA-H that was due on July 7, 2015. On August 6, 2015, the Company agreed to pay the third party \$4,000 in interest plus a bonus of \$1,600 for a two month extension of the mortgage on behalf of AAA-H. The third party had the option to extend the mortgage for another year. Upon doing so, the Company paid the third party \$100,000 to reduce the principal balance of the mortgage by \$64,000 and pre-pay the interest on the mortgage for a one year period along with a bonus of \$60,000. This loan is secured by all the assets of AAA-H and subordinate only to a first mortgage to the third party in the amount of \$400,000. During the year ended December 31, 2016, the Company issued a total of 1,890,880 units of the Company with a fair value of \$0.05 per unit representing a full year of interest totaling \$94,544 as well as 405,180 units with a fair value of \$20,259 as a finder's fee for securing another mortgagor. During the year ended December 31, 2016, the Company also advanced \$30,000 in cash to cover certain expenditures of AAA-H. At December 31, 2016, the total amount of the loan receivable from AAA-H is \$477,514 (2015: \$332,710). The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement dated January 26, 2015 by a cancellation of shares of the Company otherwise issuable with a fair value of \$477,514 (Note 7).

6. EXPLORATION AND EVALUATION ASSETS

a) Chuchi Property, British Columbia

The Company owned a 100% interest in certain mineral claims located in the Omineca Mining Division of British Columbia, referred to as the Chuchi Property.

On January 15, 2015, the Company entered into an option agreement with Kiska, a public company listed on the TSX Venture Exchange. To earn a 100% interest in the Chuchi property, Kiska was to deliver to the Company 1,000,000 common shares over a seven year period. Until such time as the earn-in is completed, the Company will remain as the underlying owner of the property; however, Kiska will incur all ongoing costs of the exploration and annual maintenance of the property, including payment of the advance royalty payment of \$20,000 per year paid on or before October 25 of each year. Kiska paid the advance royalty payment due October 25, 2014.

During the year ended December 31, 2016, Kiska accelerated the option agreement and issued to the Company 800,000 common shares to acquire a 100% in the property. The Company had written the property down to its net realizable value of \$16,000 as at December 31, 2015, being the fair value of the shares acquired. As a result, a write-down of \$194,454 was recorded during the year ended December 31, 2015.

b) Newton Property, British Columbia

The Company held a 20% participating interest in certain mineral claims located in the Clinton Mining Division of British Columbia, referred to as the Newton Property. Due to the uncertainty of the project, the Company fully impaired this property.

6. EXPLORATION AND EVALUATION ASSETS (continued)

c) Lac Saint Simon, Quebec

The Company acquired a 100% interest in certain mineral claims located in Quebec, Canada, known as the Lac Saint Simon Lithium through the issuance of 2,000,000 common shares of the Company valued at \$0.065 per share for total value of \$130,000. During the year ended December 31, 2016, the Company incurred expenditures of \$24,300 on the property including \$15,000 of camp costs, \$9,300 of geological consulting.

7. INVESTMENT

On March 26, 2014, the Company acquired a 16.5% interest in AAA-H for \$120,000. The Company executed a Share Exchange Agreement effective January 26, 2015 with the principals of AAA-H whereby the Company can acquire the remaining 83.5% interest subject to certain conditions including the grant of a "MMPR" license by issuing up to 4,587,500 common shares of the Company subject to CSE escrow policies. The common shares will be issued in stages. On February 24, 2015, the first tranche of 1,087,500 common shares with a fair value of \$348,000 representing an additional 19.79% interest was completed. On February 24, 2015, the Company commenced equity accounting the investment in AAA-H. As a result the Company fair valued its equity accounted investment in AAA-H and recorded a gain of \$170,147 in the statement of comprehensive loss representing the difference between the cost and the fair value of the investment. On October 30, 2015, the second tranche of 500,000 common shares, with a fair value of \$80,000 representing an additional 9.1% interest was completed. The Company now has a 45.39% ownership interest in AAA-H. The Company's share of AAA-H's loss for the year totaled \$205,758 (2015 - \$nil).

On February 20, 2015, the Company guaranteed a first mortgage to a third party in the amount of \$400,000 on behalf of AAA-H (Note 5).

8. PROPERTY

The property ("Property") was located in Washington State, USA. During the year ended December 31, 2016, the Company sold this Property at an amount equal to the outstanding mortgage. Accordingly an impairment charge of \$200,754 was recorded during the year ended December 31, 2015.

9. INTELLECTUAL PROPERTY

On May 12, 2015, the Company acquired 100% of VapeTronix. VapeTronix is a Canadian vaporizer and electronic cigarette company registered in the Province of Ontario. VapeTronix, owns the exclusive rights to the "1313" electronic cigarette brand, a medicinal marijuana mobile application technology, and several research and development projects. The purchase price for the VapeTronix shares was an aggregate of 1,750,000 common shares of the Company. Finders' units consisting of 175,000 common shares and 175,000 warrants were issued on closing.

9. INTELLECTUAL PROPERTY (continued)

Total consideration transferred	\$ 750,184
Fair value of identifiable net assets	(21,841)
Intellectual property	728,343
Amortization for the year ended December 31, 2015	(136,564)
Intellectual property	591,779
Trademark	17,660
	609,439
Amortization for the year ended December 31, 2016	(186,885)
Net book value, December 31, 2016	422,550
Impairment	(422,550)
	\$ -

At December 31, 2016, the Company determined that the intellectual property and trademark were impaired and wrote off the balance of \$422,550 to operations.

During the year ended December 31, 2016, the Company commenced the development on new vaporizer technology. The Company incurred development costs of \$210,000 during the year.

10. MORTGAGE PAYABLE

Upon acquisition of the Property, a promissory note was signed dated June 1, 2015 to secure a mortgage on the Property in the principal amount of US \$1,080,000 (CDN \$1,494,720) with interest at 5% per annum (Note 8). Interest only payments are required monthly. The principal amount of the mortgage was due May 31, 2017. As at December 31, 2015, the Company was in default of the mortgage and included in mortgage payable is \$12,671 of accrued interest for November to December 31, 2015.

During the year ended December 31, 2016, the Company sold the Property at an amount equal to the outstanding mortgage.

11. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value.

Issued:

On February 24, 2015, the Company issued 1,087,500 common shares with a fair value of \$348,000 pursuant to the Share Exchange Agreement dated January 26, 2015 to acquire AAA-H (Note 7).

11. SHARE CAPITAL (continued)

a) Common shares (continued)

On May 1, 2015, the Company issued 4,841,500 units at a price of \$0.20 per unit for gross proceeds of \$968,300. Each unit consists of one common share and one transferable share purchase warrant of the Company. Each warrant is exercisable to purchase one additional common share of the Company until May 1, 2018 at \$0.30 per share. The warrants have an acceleration clause such that, if after the required hold period, the shares in the Company trade above \$0.60 for 10 consecutive trading days, the Company will notify the warrant holders that they have 30 days to exercise the warrants. The full issue price was allocated to the common shares. Finders' fees were paid in the amount of \$55,403 along with the issuance of 420,000 agent warrants. Each agent warrant is exercisable to purchase one common share of the Company until May 1, 2018 at \$0.30 per share. The agent warrants have an acceleration clause such that, if after the required hold period, the shares in the Company trade above \$0.60 for 10 consecutive trading days, the Company will notify the warrant holders that they have 30 days to exercise the agent warrants. These agent warrants have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$154,067 or \$0.36 per warrant, assuming an expected life of three years, a risk-free interest rate of 0.72%, an expected dividend rate of 0.00%, and an expected annual volatility of 195%.

On May 12, 2015, the Company issued 1,750,000 common shares with a fair value of \$630,000 to acquire VapeTronix. In addition, the Company issued 175,000 common shares with a fair value of \$63,000 as finder's fees for the VapeTronix acquisition and 175,000 warrants with a fair value of \$57,184 (Note 9).

On October 22, 2015, the Company issued 500,000 common shares, with a fair value of \$80,000 pursuant to the Share Exchange Agreement dated January 26, 2015 to acquire AAA-H (Note 7).

On October 29, 2015, the Company closed a private placement for 2,324,500 units at a price of \$0.20 per unit for gross proceeds of \$464,900. Each unit consists of one common share and one transferable share purchase warrant of the Company. Each warrant is exercisable to purchase one additional common share of the Company until October 30, 2018 at \$0.30 per share. The warrants have an acceleration clause such that, if after the required hold period, the shares in the Company trade above \$0.60 for 10 consecutive trading days, the Company will notify the warrant holders that they have 30 days to exercise the warrants. A value of \$92,980 was allocated to the warrants based on the Company's accounting policy. No finders' fees were paid in conjunction with this private placement.

During the year ended December 31, 2015, the Company issued 100,000 shares for proceeds of \$30,000 on the exercise of warrants.

On January 22, 2016, the Company issued 250,000 common shares to settle \$30,000 of accounts payable.

On May 16, 2016, the Company issued 125,000 common shares to settle \$26,250 of accounts payable resulting in a gain of \$16,250.

On August 3, 2016, the Company issued 2,000,000 common shares at a price of \$0.065 per share to acquire the Lac Saint Simon mineral property

11. SHARE CAPITAL (continued)

a) Common shares (continued)

On August 17, 2016, the Company issued 4,062,000 units at a price of \$0.05 per unit for gross proceeds of \$203,100. Each unit consists of one common share and one transferable share purchase warrant of the Company. Each warrant is exercisable to purchase one additional common share of the Company until August 17, 2018 at \$0.10 per share. The full issue price was allocated to the common shares. Finders' fees were paid in the amount of \$7,020 along with the issuance of 202,800 agent warrants. Each agent warrant is exercisable to purchase one common share of the Company until August 17, 2018 at \$0.10 per share. These agent warrants have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$7,719, assuming an expected life of two years, a risk-free interest rate of 1.5%, an expected dividend rate of 0.00%, and an expected annual volatility of 192%.

On August 19, 2016, the Company issued 3,470,260 common shares at a price of \$0.08 to settle debt of \$173,514, resulting in a loss of \$104,107.

On November 4, 2016, the Company issued 260,000 flow-through common shares at a price of \$0.25 per share for gross proceeds of \$65,000 and 1,545,000 units at a price of \$0.20 per unit for gross proceeds of \$309,000. Each unit consists of one common share and one transferable share purchase warrant of the Company. Each warrant is exercisable to purchase one additional common share of the Company until November 4, 2018 at \$0.25 per share. The full issue price was allocated to the common shares. The Company recorded \$13,000 as a flow-through share premium which was reversed in the statement of comprehensive loss upon the Company incurring the required exploration expenditures. Finders' fees were paid in the amount of \$7,680 along with the issuance of 62,700 agent warrants. Each agent warrant is exercisable to purchase one common share of the Company until November 4, 2018 at \$0.25 per share. These agent warrants have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$9,174, assuming an expected life of two years, a risk-free interest rate of 1.5%, an expected dividend rate of 0.00%, and an expected annual volatility of 152%.

During the year ended December 31, 2016, the Company issued 1,275,400 shares on the exercise of warrants for proceeds of \$157,080 and 550,000 shares on the exercise of stock options for proceeds of \$110,000.

b) Warrants outstanding

	Number of warrants	Weighted average exercise price
Balance at December 31, 2014	1,011,500	\$ 1.708
Warrants expired	(911,500)	1.864
Warrants exercised	(100,000)	0.300
Warrants issued	7,341,000	0.300
At December 31, 2015	7,341,000	0.300
Warrants exercised	(1,275,400)	0.123
Warrants issued	5,872,500	0.123
At December 31, 2016	11,938,100	\$ 0.220

Expiry Date	Remaining life (years)	Number of warrants	Exercise price
May 1, 2018	1.33	4,991,500	\$ 0.300
August 17, 2018	1.61	3,262,400	0.075
October 30, 2018	1.79	2,076,500	0.300
November 4, 2018	1.83	1,607,700	0.250
Balance at December 31, 2016		11,938,100	\$ 0.220

11. SHARE CAPITAL (continued)

c) Stock options outstanding

On August 14, 2015, the Company's 2015 Stock Option Plan was approved. Under this plan, the Company may grant options to directors, officers, employees, and consultants, provided that the maximum number of options that are outstanding at any time shall not exceed 20% of the issued and outstanding common shares of the Company. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less applicable discount. The options may be granted for a maximum of ten years and vesting is determined by the Board of Directors.

Grant Date	Expiry date	Number of options	Exercise price
March 12, 2014	March 11, 2019	87,500	\$ 0.640
April 7, 2015	April 6, 2017	446,250	0.340
June 1, 2015	June 1, 2017	300,000	0.400
September 22, 2016	September 22, 2022	1,400,000	0.235
Balance at December 31, 2016		2,233,750	0.345

	Number of options	Weighted average exercise price
Balance at December 31, 2014	765,000	\$ 0.920
Options cancelled	(182,500)	3.640
Options granted	1,258,750	0.32
At December 31, 2015	1,841,250	0.496
Options cancelled and expired	(707,500)	0.20
Options exercised	(550,000)	0.20
Options granted	1,650,000	0.21
At December 31, 2016	2,233,750	\$ 0.345

On April 7, 2015, the Company granted 446,250 stock options to certain consultants of the Company to acquire 446,250 shares of the Company at an exercise price of \$0.34 per share for a period of two years that expire on April 6, 2017. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$132,071 or \$0.28 per option, assuming an expected life of two years, a risk-free interest rate of 0.50%, an expected dividend rate of 0.00%, and an expected annual volatility of 271%.

On June 1, 2015, the Company granted 450,000 stock options to certain consultants of the Company to acquire 450,000 shares of the Company at an exercise price of \$0.40 per share for a period of two years that expire on June 1, 2017. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$146,714 or \$0.28 per option, assuming an expected life of two years, a risk-free interest rate of 0.56%, an expected dividend rate of 0.00%, and an expected annual volatility of 257%.

On September 9, 2015, the Company granted 187,500 stock options to certain consultants of the Company to acquire 187,500 shares of the Company at an exercise price of \$0.20 per share for a period of one year that expire on September 9, 2016. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$18,253 or \$0.08 per option, assuming an expected life of one year, a risk-free interest rate of 0.47%, an expected dividend rate of 0.00%, and an expected annual volatility of 153%.

11. SHARE CAPITAL (continued)

c) Stock options outstanding (continued)

On October 2, 2015, the Company granted 125,000 stock options to certain consultants of the Company to acquire 125,000 shares of the Company at an exercise price of \$0.20 per share for a period of five years that expire on October 2, 2020. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$18,461 or \$0.16 per option, assuming an expected life of five years, a risk-free interest rate of 0.70%, an expected dividend rate of 0.00%, and an expected annual volatility of 162%.

On October 10, 2015, the Company granted 50,000 stock options to certain consultants of the Company to acquire 50,000 shares of the Company at an exercise price of \$0.20 per share for a period of one year that expire on October 10, 2016. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$2,938 or \$0.04 per option, assuming an expected life of one year, a risk-free interest rate of 0.53%, an expected dividend rate of 0.00%, and an expected annual volatility of 137%.

On January 22, 2016, the Company granted 250,000 stock options to certain consultants of the Company to acquire 250,000 shares of the Company at an exercise price of \$0.20 per share for a period of one year that expire on January 22, 2016. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of \$16,940 assuming an expected life of one year, a risk-free interest rate of 1.5%, an expected dividend rate of 0.00%, and an expected annual volatility of 128%.

On January 22, 2016, the Company granted 1,400,000 stock options to certain consultants of the Company to acquire 1,400,000 shares of the Company at an exercise price of \$0.235 per share for a period of five years that expire on January 22, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of \$232,224 assuming an expected life of five years, a risk-free interest rate of 1.5%, an expected dividend rate of 0.00%, and an expected annual volatility of 147%.

All stock options vested on the date of grant.

d) Share-Based Payments Reserve

The share-based payment reserve represents employee entitlements to share-based awards that have been charge to the loss and other comprehensive loss in the periods during which the entitlements were accrued and have not yet been exercised. When the stock options are exercised, the corresponding amount will be transferred to share capital. If the options expired unexercised, the amount recorded is transferred to deficit.

e) Warrants Reserve

The warrants reserve records fair value of the warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to deficit.

12. RELATED PARTY TRANSACTIONS

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the years ended December 31, 2016 and 2015:

Year ended December 31, 2016				
	Accounting	Consulting	Rent	Share-based Compensation
Christopher Hornung	\$ -	\$ -	\$ -	\$ 15,900
Paradigm Shift	-	17,675	-	-
Cherry Consulting Ltd	-	22,849	-	15,900
Elben Capital Inc.	-	83,000	-	-
Derek Ivany	-	25,000	-	63,598
Foremost Management Services Inc.	-	-	5,500	-
Jerry Habuda	-	7,500	-	15,900
Joseph Perino	-	7,500	-	15,900
	\$ -	163,524	\$ 5,500	\$ 127,196

Year ended December 31, 2015				
	Accounting	Consulting	Rent	Share-based Compensation
Christopher Hornung	\$ -	\$ -	\$ -	\$ 20,377
Paradigm Shift	-	74,429	-	-
Derek Ivany	-	25,000	-	-
Foremost Management Services Inc.	-	74,625	17,250	40,754
T.S. Denis, Inc.	22,038	-	-	8,151
Yari Nieken	-	-	-	20,377
	\$ 22,038	\$ 174,054	\$ 17,250	\$ 89,659

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities along with other cash flow information during the years ended December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Fair value of agent warrants issued for share costs	\$ 16,893	\$ 154,067
Fair value of stock options cancelled/expired	448,906	127,663
Fair value of transfer on exercise of stock options	50,515	-
Shares issued for acquisition	-	750,185
Shares received on mineral property	16,000	12,000
Shares issued for investment	-	428,000
Shares issued for mineral property	130,000	-
Mortgage settled with property	1,507,391	-
Shares issued for accounts payable	202,817	-
Shares issued on behalf of AAA-H	114,804	-
Interest paid	-	12,670

14. SEGMENTED INFORMATION

The Company operates in four reportable segments: (i) the acquisition, exploration, and development of exploration and evaluation assets; (ii) the medical marijuana industry through the purchase of an interest in a private Ontario company that is in the process of applying for a MMPR license; (iii) the sale of e-cigarettes and (iv) acquiring rental property in the State of Washington.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, loans to related parties, loans receivable, accounts payable, and mortgage payable approximate their carrying values due to the immediate or short-term nature of these instruments.

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash is measured using level 1 inputs.

b) Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

The loans receivable expose the Company to credit risk and the Company has limited this exposure by securing one of the loans with collateral; and the other loan is unsecured.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at December 31, 2016 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Financial risk management (continued)

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates. The Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and current financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk. The Company's sensitivity analysis suggests that a 5% change in the absolute rate of exchange for US dollars would not significantly affect its cash position at this time.

(c) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, AAA H. receiving a MMPR license from Health Canada, the sale of the Company's e-cigarettes, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

16. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	December 31, 2016	December 31, 2015
Net income (loss)	\$ (2,041,725)	\$ (1,446,400)
Statutory tax rate	26%	26%
Expected income tax recovery	(531,000)	(376,064)
Items not recognized for tax purposes	230,000	174,501
Temporary differences	41,000	(280,624)
Share issue costs	(4,000)	-
Change in valuation allowance	264,000	482,187
Deferred income tax recovery	\$ -	\$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	December 31, 2016	December 31, 2015
Exploration and evaluation assets	\$ 710,000	\$ 748,000
Non-capital losses	2,214,000	1,897,000
Net capital losses available	387,000	387,000
Share issuance costs	70,000	108,000
Investment in AAA-H	(22,000)	(44,000)
	3,359,000	3,096,000
Valuation allowance	(3,359,000)	(3,096,000)
Net deferred tax asset	\$ -	\$ -

The Company has non-capital losses of approximately \$8,514,000 that may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire through 2036. Exploration and evaluation assets, property and equipment and net capital losses have no expiry date. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize these benefits.

17. EVENTS AFTER REPORTING PERIOD

Subsequent to December 31, 2016 the Company:

- a) completed a non-brokered private placement of 7,665,500 units at a price of \$0.25 per unit for gross proceeds of \$1,914,125. Each unit consists of one common share and one transferrable common share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.40 per common share for two years from the date of issuance. The Company paid a finders fee on a portion of the private placement.
- b) granted 975,000 incentive stock options to purchase up to 975,000 common shares at an exercise price of \$0.265 per share for a period of two years to officers, consultants and directors of the Company.
- c) issued 149,750 common shares for proceeds of \$45,325 on the exercise of warrants and options.

PUF VENTURES INC.

Management's Discussion and Analysis

For the Year Ended December 31, 2016

(Unaudited – prepared by management)

(Expressed in Canadian Dollars)

PUF VENTURES INC.
Management's Discussion and Analysis
(Expressed in Canadian Dollars)

For the Year Ended December 31, 2016

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of PUF Ventures Inc. ("PUF" or the "Company") for the year ended December 31, 2016 should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2016, which are prepared in accordance with International Financial Reporting Standards ("IFRS").

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, are complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board of Director's Audit Committee meets with management quarterly to review the financial statements and the MD&A and to discuss other financial, operating, and internal control matters. The reader is encouraged to review the Company's statutory filing on www.sedar.com.

This MD&A is prepared as at May 3, 2017. All dollar figures stated herein are expressed in Canadian dollars unless otherwise indicated.

Readers should use the information contained in this report in conjunction with all other disclosure documents including those filed on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding exploration results and budgets, mineral resource estimates, work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties, and other factors. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties involved in disputes and litigation, fluctuations in commodity prices and currency exchange rates; uncertainties relating to interpretation of drill results and the geology, continuity and grade of deposits; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and economic return; the need for cooperation of government agencies and native groups in the exploration and development of properties and the issuance of required permits; the need to obtain additional financing to develop properties and uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs or in construction projects and uncertainty in meeting anticipated program milestones; uncertainty regarding the potential acquisition of AAA Heidelberg Inc.; uncertainty regarding obtaining a Marihuana for Medical Purposes Regulations license from Health Canada; uncertainty regarding changes in laws, regulations, and guidelines issued by Health Canada and the State of Washington; uncertainty regarding the risks inherent in an agricultural business such as insects and plant diseases; product liability; fluctuations in prices; uncertainty of the sales of e-cigarettes; fluctuations in energy costs; and uncertainty as to timely availability of licenses, permits, and other government approvals and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policy that all forward-looking statements are based on the Company's beliefs and assumptions, which are based on information available at the time these assumptions are made. The forward looking statements contained herein are as of November 30, 2015 and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or

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circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning our expectations for satisfactory drill results and satisfactory resolution of the Company's contingent liability and the Company's investment in AAA Heidelberg Inc. and VapeTronix Inc.

Actual results or events could differ materially from the plans, intentions, and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties, and other factors such as those described above and in "Risks and Uncertainties" below. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

DESCRIPTION OF THE BUSINESS

PUF Ventures Inc. was incorporated on June 24, 2004 pursuant to the Business Corporations Act (British Columbia). On February 9, 2011, the name of the Company was changed from New High Ridge Resources Inc. to Newton Gold Corp., on November 7, 2013 to PUF Technologies, Inc., and on November 13, 2015 to PUF Ventures Inc. Until June 18, 2014, the Company was listed on the TSX Venture Exchange under the symbol "CMT". Effective June 19, 2014 the Company is listed on the Canadian Securities Exchange ("CSE" or the "Exchange") under the symbol "PUF". All share capital figures reflect the share consolidation.

On July 16, 2015, the Company qualified to trade on the OTC Marketplace under the symbol "CHLMF" and has been made eligible for book-entry delivery and depository services of the Depository Trust Company to facilitate electronic settlement of transfers of its common shares in the United States. This electronic method of clearing securities speeds up the receipt of stock and cash and therefore accelerates the settlement process for investors.

During the nine months ended September 30, 2016, the Company completed a 4 for 1 share consolidation. All references to number of shares and per share amounts have been retroactively restated to reflect this consolidation.

The Company also trades on the Frankfurt Stock Exchange under the symbol HR2P.

The Company is classified as an exploration stage company with respect to its exploration and evaluation assets. Based on the information available to date, the Company has not yet determined whether its exploration and evaluation assets contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the ability of the Company and their joint venture partners to obtain the necessary financing to successfully complete their development, and upon future profitable production or disposition thereof. Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

On March 26, 2014, the Company acquired a 16.5% interest in AAA Heidelberg Inc., a private company located in Ontario, for cash of \$120,000. The Company signed a Letter of Intent ("LOI") with the principals of AAA Heidelberg Inc. whereby the Company was granted the exclusive option to acquire the balance of the 83.5% interest subject to certain conditions including the grant of a Marihuana for Medical Purposes Regulations ("MMPR") license and by issuing up to 18,350,000 common shares of the Company subject to Canadian Securities Exchange escrow policies. The Share Exchange Agreement was finalized effective January 26, 2015. On February 24, 2015, the first tranche of 4,350,000 common shares representing an additional 19.79% interest was completed. On October 30, 2015, the second tranche of 2,000,000 common shares representing an additional 9.1% interest was completed. The Company now has a 45.39% ownership interest in AAA Heidelberg Inc.

On November 3, 2014, the Company provided AAA-H with a \$160,000 loan. On February 20, 2015, the

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Company guaranteed a first mortgage to a third party in the amount of \$400,000 on behalf of AAA-H that was due on July 7, 2015. On August 6, 2015, the Company agreed to pay the third party \$4,000 in interest plus a bonus of \$1,600 for a two month extension of the mortgage on behalf of AAA-H. The third party had the option to extend the mortgage for another year. Upon doing so, the Company paid the third party \$100,000 to reduce the principal balance of the mortgage by \$64,000 and pre-pay the interest on the mortgage for a one year period along with a bonus of \$60,000. This loan is secured by all the assets of AAA-H and subordinate only to a first mortgage to the third party in the amount of \$400,000. At March 31, 2016, the total amount of the loan is \$332,710 (December 31, 2015: \$332,710). The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement dated January 26, 2015 by a cancellation of shares of the Company otherwise issuable with a fair value of \$332,710 (Note 7). During the year ended December 31, 2016, the Company issued a total of 1,890,880 units of the Company with a fair value of \$0.05 per unit representing a full year of interest totaling \$94,544 as well as 405,180 units as a finder's fee for securing another mortgagor. During the year ended December 31, 2016, the Company also advanced \$30,000 in cash to cover certain expenditures of AAA-H. At December 31, 2016, the total amount of the loan receivable from AAA-H is \$477,514 (2015: \$332,710). The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement dated January 26, 2015 by a cancellation of shares of the Company otherwise issuable with a fair value of \$477,514 (Note 7). During the period ended September 30, 2016, the Company issued a total of 1,890,880 common shares of the Company at a deemed value of \$0.05 per common share representing a full year of interest-only payments totaling \$94,544 and 405,180 common shares as finder's fees valued at \$26,337, pursuant to the securing of a new private mortgage group that replaced the Company's existing lender. The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement dated January 26, 2015 by a cancellation of shares of the Company otherwise issuable with a fair value of \$453,591.

The Company has not finalized the transaction with AAA Heidelberg Inc. The Company does not know, nor can it predict the timeframe for AAA Heidelberg Inc. to complete the application process and receive a response from Health Canada; accordingly, there is no certainty that AAA Heidelberg Inc. will be granted a license under MMPR, or that a transaction will be completed.

On November 26, 2014, the Company formed a subsidiary in Washington State in order to acquire rental property. On June 1, 2015, the Company completed the transaction on its target property of a 9.7 acre parcel of land and associated buildings in Whatcom County, Washington. The purchase price for the property was US\$1,200,000. Upon the closing of the property, a promissory note dated June 1, 2015 was signed to secure a mortgage on the property in the principal amount of US\$1,080,000 with interest at 5% per annum. Interest only payments are required monthly. The principal amount of the mortgage is due May 31, 2017.

On July 16, 2015, the Company's US subsidiary, PacCan Industries LLC converted its name and status to PacCan Real Estate Holdings Corporation.

During the period ended March 31, 2016, the Company sold the property at an amount equal to the outstanding mortgage.

The Company has done significant due diligence into its business plan for the rental property in Washington State; however, there may be unforeseen aspects to the business plan or changes to laws in Washington State that could materially affect the Company's business.

On May 12, 2015, the Company announced the closing of the acquisition of 100% of VapeTronix Inc. VapeTronix, Inc. is a Canadian vaporizer and electronic cigarette company registered under the *Canada Business Corporations Act* located in Toronto, Ontario. VapeTronix, Inc. owns the exclusive rights to the "1313" electronic cigarette brand, a medicinal marijuana mobile application technology, and several research and development projects. The purchase price for the VapeTronix shares was an aggregate of 7,000,000 common shares of the Company of which 1,500,000 common shares will be released subject to certain performance milestones being met. Finders' fees of 700,000 units were issued on closing.

Highlights of the VapeTronix, Inc. business are:

- 1313's flavoured e-cigarettes are currently being sold in Ontario with Canada-wide expansion planned;

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- 1313's nicotine e-cigarettes are ready for a planned roll-out into the US market;
- additional product lines are planned to add additional revenue opportunities;
- a medical marijuana mobile application is under development to track a variety of metrics for patients and physicians such as cannabis usage data, the efficacy of certain strains, and side effects; and
- the VapeTronix, Inc. marketing and development team will work with the Company on leveraging various synergies between its medical marijuana mobile application and vaporizer technology with the anticipated MMPR license to be issued to AAA Heidelberg Inc.

1313 (visit their website at www.1313cigs.com) is an emerging player in the burgeoning e-cigarette market. 1313 e-cigarettes (or "e-cig") are disposable electronic cigarettes that contain between 500 and 650 "puffs" and are packaged for convenience. A single 1313 e-cigarette is the equivalent of two and a half packs of traditional cigarettes. VapeTronix, Inc. has assembled a strong portfolio of unique flavours that have been tested and approved for commercial production. Initial commercial roll-out of 1313 e-cigarettes has begun in Ontario. Select convenience stores and nightclub establishments in the Greater Toronto Area are already selling the nicotine-free 1313 e-cig products with watermelon, vanilla, peach, and green apple flavours. VapeTronix, Inc. plans to continue sales expansion of 1313 e-cigs to major urban centres across Canada in 2015 and beyond. A unique line of "e-shisha" flavours that are aimed at appealing to the North American and Middle Eastern hobbyist hookah smoker are also in a test phase. 1313 has begun test trials in US markets for its nicotine products and plans to further pursue this market opportunity.

On September 1, 2015, the Company announced a new product line of 1313 nicotine-free e-cigarettes, with the newest produce being "1313 Energy". It is infused with taurine and contains a flavour profile similar to that of popular energy drinks currently on the market.

On September 24, 2015, the Company entered into an exclusive worldwide licensing agreement with Canadian R&B recording artist, Massari, for a unique line of branded electronic Shisha devices. In conjunction with Massari and his management team, the Company is creating a branded disposable shisha e-cigarette that will be introduced in Canada first with a roll-out into international markets.

On October 3, 2015, the Company announced that it is introducing a premium e-liquid/e-juice product suite to its 1313 brand of e-cigarettes. The initial skews will consist of two unique and exclusive flavour profiles designated for the US market: caramel tobacco; and 1313 Energy with nicotine. The Company has entered into a production agreement with a boutique purveyor in California for the manufacture of these specialty vape liquids.

In addition to the 1313 e-cig brand, VapeTronix, Inc. has incubated a development stage medicinal marijuana mobile application tracking technology that synchronizes a vaporizer device to a smart phone and will be aimed at the Canadian medical marijuana user. The medical marijuana mobile application called WeedBeacon, will track a variety of metrics for patients and physicians such as cannabis usage data, the efficacy of certain strains, side effects, as well as several other features. The VapeTronix, Inc. team will work in conjunction with PUF and AAA Heidelberg Inc. to implement additional features in the technology, prior to releasing a commercial version to the public.

The development of the medicinal marijuana mobile application has many potential synergies with AAA Heidelberg Inc. This application will assist AAA Heidelberg Inc. with its Doctor Outreach Program (see the news release dated June 23, 2014) that plans on creating relationships with the doctors and clinics in southern Ontario that are pro medical marijuana in advance of the issuance of a MMPR license.

VapeTronix Inc. has a history of net losses, may incur significant net losses in the future, and may not achieve or maintain profitability.

During the year ended December 31, 2016, VapeTronix commenced the development on new vaporizer technology. The Company incurred and expensed development costs of \$210,000 during the year.

EXPLORATION AND EVALUATION PROPERTIES

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Lac Saint Simon, Quebec

The Company has acquired a 100% interest in certain mineral claims located in Quebec, Canada, known as the Lac Saint Simon Lithium through the issuance of 2,000,000 common shares of the Company valued at \$0.065 per share for total value of \$130,000.

The Company is currently negotiating the sale of the Lac Saint Simon property and will provide an update on this matter shortly.

Chuchi Property, British Columbia

The Company owns a 100% interest in certain mineral claims located in the Omineca Mining Division of British Columbia, referred to as the Chuchi Property.

In December 2008, the Company wrote down the recorded cost of the property to \$Nil. As at September 30, 2015, mineral property interests represent accumulated costs incurred on the property since January 1, 2009.

On March 17, 2014, the Company announced that it received the decision in the arbitration hearings between the Company and the vendors of the Chuchi property, located in northern British Columbia. The arbitration stemmed from the Company's allowing a number of claims to lapse in 2007 and subsequently acquiring certain claims covering a portion of the area of the lapsed claims at a later date from a third party. The arbitrator in the case has ruled in favour of the Company's claim that the 3% net smelter royalty that was attached to the original claims (that were dropped) does not apply to the disputed ground. As such, the vendors of the property own a 3% NSR on only the five core claims to the property, which cover only 1,695.94 hectares of the total 5,365.24 hectares that constitute the Chuchi property. In addition, the vendors' claim for damages for breach of contract by reason of the forfeiture of mineral claims acquired under the agreement was dismissed, and the vendors must immediately remove the notice to third party that they had previously filed with the Mining Recorder's Office on the records of the mineral claims. The Company must pay the vendors a total of \$40,351 (representing the 2012 and 2013 advance royalty payments plus prejudgment interest) which was paid on June 27, 2014, and the Company is also required to continue to pay to the vendors an advance royalty payment in the amount of \$20,000 per year on or before October 25 in each subsequent year that the Company holds any interest in the five core mineral claims.

On November 19, 2014, the Company announced that it received confirmation from Kiska Metals Corporation ("Kiska"), a public company listed on the TSX Venture Exchange, of their intent to enter into a Definitive Agreement for an option of the Company's Chuchi property. The Definitive Agreement was finalized on January 15, 2015. To earn a 100% interest in the Chuchi property, Kiska will be required to deliver to the Company 1,000,000 common shares (or the equivalent cash value at Kiska's election) as follows:

- 200,000 common shares on signing the Option Agreement (received);
- 200,000 common shares on the first anniversary of the Option Agreement;
- 250,000 common shares on the fourth anniversary of the Option Agreement; and
- 350,000 common shares on the seventh anniversary of the Option Agreement.

Until such time as the earn-in is completed, the Company will remain as the underlying owner of the property; however, Kiska will incur all ongoing costs of the exploration and annual maintenance of the property, including payment of the advance royalty payment of \$20,000 per year paid on or before October 25 of each year. Kiska paid the advance royalty payment due October 25, 2014.

The Option Agreement will provide that the Company is to receive a percentage of any payments received by Kiska pursuant to any option or earn-in agreements entered into by Kiska in respect of the property (but not including any Kiska operator fees) during the time the option is exercised and on or before the third anniversary date of the exercise of the option as follows:

- 30% of the payments received by Kiska in year 1 of any future agreement;
- 20% of the payments received by Kiska in year 2 of any future agreement; and
- 10% of the payments received by Kiska in year 3 of any future agreement.

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During the year ended December 31, 2016, Kiska accelerated the option agreement and issued the Company 800,000 Kiska shares to receive a 100% interest in Chuchi. As a result, the Company has recorded an impairment of \$194,454 during the year ended December 31, 2015.

INVESTMENT HELD FOR SALE

On January 15, 2015, the Company finalized an agreement with Kiska Metals Corporation ("Kiska") for the option of the Company's Chuchi property. During the six months ended June 30, 2016, the Company received an additional 800,000 shares of Kiska (Notes 6). During the year ended December, 2016, the Company sold 1,000,000 shares of Kiska for gross proceeds of \$50,000.

INVESTMENT

On March 26, 2014, the Company acquired a 16.5% interest in AAA Heidelberg Inc., a private company located in Ontario, for \$120,000. The Company has now executed a Share Exchange Agreement with the principals of AAA Heidelberg Inc. whereby the Company can acquire the remaining 83.5% interest subject to certain conditions including the grant of a Marihuana for Medical Purposes Regulations ("MMPR") license by issuing up to 18,350,000 common shares of the Company subject to voluntary escrow provisions. The common shares will be issued in stages.

On November 3, 2014, the Company provided AAA-H with a \$160,000 loan. On February 20, 2015, the Company guaranteed a first mortgage to a third party in the amount of \$400,000 on behalf of AAA-H that was due on July 7, 2015. On August 6, 2015, the Company agreed to pay the third party \$4,000 in interest plus a bonus of \$1,600 for a two month extension of the mortgage on behalf of AAA-H. The third party had the option to extend the mortgage for another year. Upon doing so, the Company paid the third party \$100,000 to reduce the principal balance of the mortgage by \$64,000 and pre-pay the interest on the mortgage for a one year period along with a bonus of \$60,000. This loan is secured by all the assets of AAA-H and subordinate only to a first mortgage to the third party in the amount of \$400,000. At March 31, 2016, the total amount of the loan is \$332,710 (December 31, 2015: \$332,710). The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement dated January 26, 2015 by a cancellation of shares of the Company otherwise issuable with a fair value of \$332,710 (Note 7). During the period ended September 30, 2016, the Company issued a total of 1,890,880 common shares of the Company at a deemed value of \$0.05 per common share representing a full year of interest-only payments totaling \$94,544 and 405,180 common shares as finder's fees valued at \$26,337, pursuant to the securing of a new private mortgage group that replaced the Company's existing lender. The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement dated January 26, 2015 by a cancellation of shares of the Company otherwise issuable with a fair value of \$453,591.

On February 24, 2015, the first tranche of 4,350,000 common shares representing an additional 19.79% interest was completed bringing the total investment to 36.29%.

On October 30, 2015, the second tranche of 2,000,000 common shares representing an additional 9.1% interest was completed upon AAA Heidelberg Inc. being notified by Health Canada that it successfully progressed through the Security Clearance Stage and has entered the Review Stage. The Company now has a 45.39% ownership interest in AAA Heidelberg Inc.

AAA Heidelberg Inc. currently owns a secure 8,800 square foot commercial building and land located in London, Ontario. Since December 2013, AAA Heidelberg Inc. has had an application pending with Health Canada for a new MMPR license for the production of up to 1,320 pounds of marijuana in the first year.

As of April 1, 2014, new producers will be required to be licensed by Health Canada and to conform to strict new regulations. On April 2, 2014, the Company received its final copy of an independent economic analysis on the

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Company's entry into Canada's emerging medical marijuana industry. The report states "the new regulations suggest that the medical marijuana industry will be put on the same footing as the pharmaceutical manufacturing sector. The regulations are quite onerous in terms of production distribution and security standards. Health Canada will only issue licenses to producer/distributors that they deem capable of meeting these detailed regulatory standards. That suggests that Canada will very rapidly evolve from a market of thousands of informal producers to one of a much smaller number of sophisticated producers."

On May 15, 2014, the Company announced that Betty Quon was hired as AAA Heidelberg Inc.'s General Manager for its London, Ontario facility. Ms. Quon will be responsible for all aspects of AAA Heidelberg Inc.'s ongoing permit application with Health Canada in order to streamline the permitting process. Ms. Quon's skill set will enhance AAA Heidelberg Inc.'s ability to both attract the talent and build a team that can execute their business strategy.

On June 12, 2014, the Company announced that David Hyde and Associates were retained by AAA Heidelberg Inc. to assist in completing all of the security protocols required by Health Canada in order to be granted a license under MMPR. David Hyde and Associates are uniquely qualified to assist AAA Heidelberg Inc. as they have worked with other licensed producers that have already received a license under MMPR.

On June 23, 2014, the Company announced that AAA Heidelberg Inc. has initiated its Doctor Outreach Program to identify and create relationships with the doctors and clinics in southern Ontario that are pro medical marijuana, in advance of the issuance of a MMPR license.

In conjunction with the Doctor Outreach Program, AAA Heidelberg Inc. has hired David Bard as its Director of Business Development. Mr. Bard will utilize his considerable experience in the pharmaceutical and medical device industry. This experience has given him unique relationships with doctors and clinics in southern Ontario to which he can ultimately market AAA Heidelberg Inc. and the various strains of medical marijuana that AAA Heidelberg Inc. plans to grow.

On September 24, 2014, the Company announced that AAA Heidelberg Inc. has been notified by Health Canada that it has passed the Enhanced Screening stage and is currently in the Security Stage. In this stage, the principals of AAA Heidelberg Inc. are being subject to detailed background checks. Upon passing the Security Stage, AAA Heidelberg Inc. anticipates a review and then a pre-license inspection.

To this end, completion of the build-out of the facility continues. The facility will feature automated systems for temperature, light, humidity, carbon dioxide, and special ventilation for bacteria control. The entire facility has been planned to meet the highest level of pharmaceutical standards.

As announced on November 12, 2014, the last major remaining interrelated components of the build-out were completed, being the HVAC and Surna Water Chilled Climate Control equipment. Remaining work includes the installation and commissioning of the climate control interfaces and computer systems.

The Company does not know nor can it predict the timeframe for AAA Heidelberg Inc. to complete the application process and receive a response from Health Canada; accordingly, there is no certainty that AAA Heidelberg Inc. will be granted a license under MMPR, or that the transaction will be completed.

Should AAA Heidelberg Inc. be granted a license, the Company intends to complete the transaction by issuing the remaining shares of the Company to the shareholders of AAA Heidelberg. The completion of the transaction will be considered a Change of Business and at that time the Company will make a filing with the Canadian Securities Exchange, create a disclosure statement, and convene a special meeting to seek shareholder approval.

The following risk factors should be carefully considered in evaluating the Company, its potential acquisition of AAA Heidelberg Inc., and the resulting Company post transaction. The risks presented below may not be all of the risks that the Company post transaction and AAA Heidelberg Inc. may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. The market in which AAA Heidelberg Inc. currently competes is very competitive and changes rapidly. Sometimes new risks emerge

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and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements.

Reliance on license

AAA Heidelberg Inc.'s ability to grow, store, and sell medical marijuana in Canada is dependent on obtaining a license under the MMPR from Health Canada. Failure to comply with the requirements of the license or any failure to maintain this license would have a material adverse impact on the business, financial condition, and operating results of AAA Heidelberg Inc. and the Company post transaction.

Regulatory risks

The activities of AAA Heidelberg Inc. are subject to regulation by governmental authorities, particularly Health Canada. Achievement of AAA Heidelberg Inc.'s business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. AAA Heidelberg Inc. cannot predict the time required to secure all appropriate regulatory approvals for its products, the extent of testing and documentation that may be required by governmental authorities, or the effect of the process by the actions of its shareholders. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of AAA Heidelberg Inc. and the Company post transaction.

Change in laws, regulations, and guidelines

AAA Heidelberg Inc.'s operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of medical marijuana but also including laws and regulations relating to health and safety, the conduct of operations, and the protection of the environment. While to the knowledge of AAA Heidelberg Inc.'s management, AAA Heidelberg Inc. is currently in compliance with all such laws, changes to such laws, regulations, and guidelines due to matters beyond the control of AAA Heidelberg Inc. may cause adverse effects to AAA Heidelberg Inc.'s operations.

On March 21, 2014 the Federal Court of Canada issued an order affecting the repeal of the Marihuana Medical Access Regulations ("MMAR") and the application of certain portions of the MMPR which are inconsistent with the MMAR in response to a motion brought by four individuals. This order and its anticipated effects on AAA Heidelberg Inc. are unknown. It is unclear how the Government of Canada will react to this order or how the Federal Court of Canada might ultimately decide the case to which the order relates. The risks to the business of AAA Heidelberg Inc. represented by this or similar actions are that they might lead to court rulings or legislative changes that allow those with existing licenses to possess and/or grow medical marijuana and perhaps others to opt out of the regulated supply system implemented through the MMPR, in which AAA Heidelberg Inc. is a licensed producer. This could significantly reduce the addressable market for AAA Heidelberg Inc.'s products and could materially and adversely affect the business, financial condition, and results of operations of AAA Heidelberg Inc. and the Company post transaction.

While the impact of such changes are uncertain and are highly dependent on which specific laws, regulations, or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on AAA Heidelberg Inc.'s operations that is materially different than the effect on similar-sized companies in the same business as AAA Heidelberg Inc..

Limited operating history

AAA Heidelberg Inc., while incorporated in 2010, began carrying on business in 2013 and has yet to generate revenue from the sale of products. AAA Heidelberg Inc. is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that AAA Heidelberg Inc. will be successful in achieving a return on shareholders' investment and likelihood of success must be considered in light of the early stage of operations.

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Reliance on a single facility

To date, AAA Heidelberg Inc.'s activities and resources have been primarily focused on its facility in London, Ontario and AAA Heidelberg Inc. will continue to be focused on this facility for the foreseeable future. Adverse changes or developments affecting the facility could have a material and adverse effect on AAA Heidelberg Inc.'s business, financial condition, and prospects.

Reliance on management

The success of AAA Heidelberg Inc. is dependent upon the ability, expertise, judgment, discretion, and good faith of its management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on AAA Heidelberg Inc.'s business, operating results, or financial condition.

Factors which may prevent realization of growth targets

AAA Heidelberg Inc. is currently in the early development stage. AAA Heidelberg Inc.'s growth strategy contemplates outfitting the facility with additional production resources. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they are can be adversely affected by a variety of factors, including the following:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- plant design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

As a result, there is a risk that AAA Heidelberg Inc. may not have product or sufficient product available for shipment to meet the anticipated demand or to meet future demand when it arises.

AAA Heidelberg Inc. has a history of net losses, may incur significant net losses in the future, and may not achieve or maintain profitability.

AAA Heidelberg Inc. has incurred losses in recent periods. AAA Heidelberg Inc. may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, AAA Heidelberg Inc. expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If AAA Heidelberg Inc.'s revenues do not increase to offset these expected increases in costs and operating expenses, AAA Heidelberg Inc. will not be profitable.

Additional financing

The building and operation of AAA Heidelberg Inc.'s facilities and business are capital intensive. In order to execute the anticipated growth strategy, AAA Heidelberg Inc. will require some additional equity and/or debt financing to support on-going operations, to undertake capital expenditures, and/or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available

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to AAA Heidelberg Inc. or the Company when needed or on terms which are acceptable. AAA Heidelberg Inc.'s inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit AAA Heidelberg Inc.'s growth and may have a material adverse effect upon future profitability. AAA Heidelberg Inc. and the Company may require additional financing to fund its operations to the point where it is generating positive cash flows.

Competition

There is potential that AAA Heidelberg Inc. and the Company post transaction will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than AAA Heidelberg Inc. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of AAA Heidelberg Inc. and the Company post transaction.

Because of the early stage of the industry in which AAA Heidelberg Inc. operates, AAA Heidelberg Inc. expects to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and AAA Heidelberg Inc. expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, AAA Heidelberg Inc. will require a continued high level of investment in research and development, marketing, sales, and client support. AAA Heidelberg Inc. and the Company post transaction may not have sufficient resources to maintain research and development, marketing, sales, and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition, and results of operations of AAA Heidelberg Inc. and the Company post transaction.

Risks inherent in an agricultural business

AAA Heidelberg Inc.'s business involves the growing of medical marijuana, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business such as insects, plant diseases, and similar agricultural risks. Although AAA Heidelberg Inc. will grow its products indoors under climate controlled conditions and will carefully monitor the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Vulnerability to rising energy costs

AAA Heidelberg Inc.'s medical marijuana growing operations consume considerable energy, making AAA Heidelberg Inc. and the Company post transaction vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of AAA Heidelberg Inc. and its ability to operate profitably.

Transportation disruptions

Due to the perishable and premium nature of AAA Heidelberg Inc.'s products, AAA Heidelberg Inc. will depend on fast and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of AAA Heidelberg Inc. and the Company post transaction. Rising costs associated with the courier services used by AAA Heidelberg Inc. to ship its products may also adversely impact the business of AAA Heidelberg Inc. and its ability to operate profitably.

Unfavourable publicity or consumer perception

AAA Heidelberg Inc. believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy, and quality of the medical marijuana produced. Consumer perception of AAA Heidelberg Inc.'s products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention, and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings,

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litigation, media attention, or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for AAA Heidelberg Inc.'s products and the business, results of operations, financial condition and cash flows of AAA Heidelberg Inc. and the Company post transaction. AAA Heidelberg Inc.'s dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on AAA Heidelberg Inc. and the Company, the demand for AAA Heidelberg Inc.'s products, and the business, results of operations, financial condition and cash flows of AAA Heidelberg Inc. and the Company post transaction. Further, adverse publicity reports or other media attention regarding the safety, the efficacy, and quality of medical marijuana in general, or AAA Heidelberg Inc.'s products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product liability

As a manufacturer and distributor of products designed to be ingested by humans, AAA Heidelberg Inc. faces an inherent risk of exposure to product liability claims, regulatory action, and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of AAA Heidelberg Inc.'s products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of AAA Heidelberg Inc.'s products or in combination with other medications or substances could occur. AAA Heidelberg Inc. and the Company may be subject to various product liability claims, including, among others, that AAA Heidelberg Inc.'s products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against AAA Heidelberg Inc. could result in increased costs, could adversely affect AAA Heidelberg Inc.'s reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of AAA Heidelberg Inc. and the Company post transaction. There can be no assurances that AAA Heidelberg Inc. will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of AAA Heidelberg Inc.'s potential products.

Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of AAA Heidelberg Inc.'s products are recalled due to an alleged product defect or for any other reason, AAA Heidelberg Inc. could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. AAA Heidelberg Inc. may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although AAA Heidelberg Inc. has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of AAA Heidelberg Inc.'s significant brands were subject to recall, the image of that brand and AAA Heidelberg Inc. could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for AAA Heidelberg Inc.'s products and could have a material adverse effect on the results of operations and financial condition of AAA Heidelberg Inc. and the Company post transaction. Additionally, product recalls may lead to increased scrutiny of AAA Heidelberg Inc.'s operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

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Reliance on key inputs

AAA Heidelberg Inc.'s business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of AAA Heidelberg Inc. and the Company post transaction. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, AAA Heidelberg Inc. might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to AAA Heidelberg Inc. in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of AAA Heidelberg Inc. and the Company post transaction.

Dependence on suppliers and skilled labour

The ability of AAA Heidelberg Inc. to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that AAA Heidelberg Inc. will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by AAA Heidelberg Inc.'s capital expenditure program may be significantly greater than anticipated by AAA Heidelberg Inc.'s management, and may be greater than funds available to AAA Heidelberg Inc., in which circumstance AAA Heidelberg Inc. may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of AAA Heidelberg Inc.

Difficulty to forecast

AAA Heidelberg Inc. must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, and financial condition of AAA Heidelberg Inc. and the Company post transaction.

Operating risk and insurance coverage

AAA Heidelberg Inc. has insurance to protect its assets, operations, and employees. While AAA Heidelberg Inc. believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which AAA Heidelberg Inc. is exposed. In addition, no assurance can be given that such insurance will be adequate to cover AAA Heidelberg Inc.'s liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If AAA Heidelberg Inc. were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if AAA Heidelberg Inc. were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations, and financial condition could be materially adversely affected.

Exchange restrictions on business

As part of its conditional approval, the Exchange requires that as a condition to listing the Company deliver an undertaking confirming that, while listed on the Exchange, the Company post transaction will only conduct the business of production, acquisition, sale and distribution of medical marijuana in Canada as permitted under the Health Canada License. This undertaking could have an adverse effect on the Company post transaction's ability to export marijuana from Canada and on its ability to expand its business into other areas including the provision of non-medical marijuana in the event that the laws were to change to permit such sales and the Company post transaction is still listed on the Exchange and still subject to such undertaking at the time. This undertaking may prevent the Company post transaction from expanding into new areas of business when

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the Company post transaction's competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition, and results of operations of the Company post transaction.

Management of growth

AAA Heidelberg Inc. may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of AAA Heidelberg Inc. to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train, and manage its employee base. The inability of AAA Heidelberg Inc. to deal with this growth may have a material adverse effect on AAA Heidelberg Inc.'s business, financial condition, results of operations and prospects.

Conflicts of interest

Certain of the directors and officers of AAA Heidelberg Inc. and the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of AAA Heidelberg Inc. and the Company and as officers and directors of such other companies.

Litigation

AAA Heidelberg Inc. may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which AAA Heidelberg Inc. becomes involved be determined against AAA Heidelberg Inc. such a decision could adversely affect its ability to continue operating and the market price for the Company post transaction common shares and could use significant Company resources. Even if AAA Heidelberg Inc. is involved in litigation and wins, litigation can redirect significant company resources.

The market price of the Company's post transaction's common shares may be subject to wide price fluctuations.

The market price of the Company post transaction's common shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company post transaction and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company post transaction and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Company's post transaction control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, as well as general economic and political conditions which could adversely affect the market price of the Company's post transaction common shares.

Dividends

The Company pre or post transaction has no earnings or dividend record, and does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Environmental and employee health and safety regulations

AAA Heidelberg Inc.'s operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. AAA Heidelberg Inc. will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to AAA Heidelberg Inc.'s operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations, and

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financial condition of AAA Heidelberg Inc. and the Company post transaction.

SUBSEQUENT EVENTS

Subsequent to December 31, 2016 the Company:

- a) completed a non-brokered private placement of 7,665,500 units at a price of \$0.25 per unit for gross proceeds of \$1,914,125. Each unit consists of one common share and one transferrable common share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.40 per common share for two years from the date of issuance. The Company paid a finders fee on a portion of the private placement.
- b) granted 975,000 incentive stock options to purchase up to 975,000 common shares at an exercise price of \$0.265 per share for a period of two years to officers, consultants and directors of the Company.
- c) issued 149,750 common shares for proceeds of \$45,325 on the exercise of warrants and options.

SELECTED ANNUAL INFORMATION

A summary of selected annual financial information for the last three fiscal years is as follows, as expressed in Canadian dollars:

	As at December 31, 2015	As at December 31, 2015	As at December 31, 2014
Total revenues	\$ 138,850	\$ 9,008	\$ Nil
Net loss	2,041,726	1,446,400	1,146,473
Net loss per share	0.07	0.03	0.05
Total assets	1,724,202	3,549,114	712,004
Total liabilities	284,029	1,580,480	201,388

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Revenue	Loss for the period	Loss per Share (Basic & Diluted)
March 31, 2015	\$ -	\$ (98,016)	\$ (0.00)
June 30, 2015	\$ -	\$ (532,814)	\$ (0.04)
September 30, 2015	\$ -	\$ (236,320)	\$ (0.04)
December 31, 2015	\$ -	\$ (579,250)	\$ (0.04)
March 31, 2016	\$ 138,850	\$ (80,257)	\$(0.00)
June 30, 2016	\$ -	\$ (69,431)	\$ (0.01)
September 30, 2016	\$ -	\$ (541,830)	\$ (0.02)
December 31, 2016	\$ -	\$ (1,349,808)	\$ (0.04)

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RESULTS OF OPERATIONS

The Company's loss for the year ended December 31, 2016 was \$2,041,726 compared to a loss of \$1,446,400 for the year ended December 31, 2015. The significant changes in the current year was the write down of intangible assets by \$422,440 and the loss of equity investment of \$205,758. Development costs of \$210,000 were incurred on the development of a new vaporizer technology. Another increase in expenses during the current period was an increase in consulting and management fees from \$476,290 during the period ended December 31, 2015 to \$524,272 for the year ended December 31, 2016. The increase in consulting and management fees was a result of the Company hiring various consultants to assist the planning of the expansion of the marijuana business, the exploration business as well as assisting with other business and financing needs of the Company. These increases were offset by a reduction in office and sundry costs from \$112,768 to \$45,465 as the Company had previously consolidated its office costs.

LIQUIDITY

The Company's cash on hand increased to \$496,746 at December 31, 2016 from \$123,264 at December 31, 2015.

The Company had working capital of \$295,970 at December 31, 2016 compared to a working capital deficiency of \$1,202,382 at December 31, 2015. The decrease in the deficiency was a result of the Company transferring the land and building out in exchange for the assumption of the mortgage during the period ended March 31, 2016.

As of the date of this MD&A, the Company has sufficient working capital to meet its ongoing financial obligations for the coming year.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements to which the Company is committed.

COMMITMENTS

The Company had no commitments at December 31, 2016 or the date of this report.

CONTINGENT LIABILITY

On May 18, 2011, the Company received an order granted by a court in Lima, Peru indicating that the Company is responsible for a debt of US\$209,403 incurred by a former subsidiary of the Company. The Company did not receive notice of the Peruvian legal proceedings and is seeking advice concerning an application to set aside the order. The Company retained Peruvian legal counsel who advised that the Company is not responsible for this obligation.

The most recent contact from Peru indicates that the order has been dropped but the Company has not received formal notice of such release. No amounts have been recorded in the Company's books and records regarding this issue.

RELATED PARTY TRANSACTIONS

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the years ended December 31, 2016 and 2015:

Year ended December 31, 2016

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	Accounting	Consulting	Rent	Share-based Compensation
Christopher Hornung	\$ -	\$ -	\$ -	\$ 15,900
Paradigm Shift	-	17,675	-	-
Cherry Consulting Ltd	-	22,849	-	15,900
Elben Capital Inc.	-	83,000	-	-
Derek Ivany	-	25,000	-	63,598
Foremost Management Services Inc.	-	-	5,500	-
Jerry Habuda	-	7,500	-	15,900
Joseph Perino	-	7,500	-	15,900
	\$ -	163,524	\$ 5,500	\$ 127,196

Year ended December 31, 2015

	Accounting	Consulting	Rent	Share-based Compensation
Christopher Hornung	\$ -	\$ -	\$ -	\$ 20,377
Paradigm Shift	-	74,429	-	-
Derek Ivany	-	25,000	-	-
Foremost Management Services Inc.	-	74,625	17,250	40,754
T.S. Denis, Inc.	22,038	-	-	8,151
Yari Nieken	-	-	-	20,377
	\$ 22,038	\$ 174,054	\$ 17,250	\$ 89,659

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand.

CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The carrying values of cash, amounts receivable, advances to related parties, loans receivable, accounts payable and accrued liabilities, and advances from related parties approximate their carrying values due to the immediate or short-term nature of these instruments.

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

The loans receivable expose the Company to credit risk and the Company has limited this exposure by securing one of the loans with collateral; and the other loan is unsecured.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at December 31, 2015 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and current financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. At June 30, 2016, the Company was not affected by interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company is exposed to foreign currency risk with respect to its US subsidiary operations.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk. The Company's sensitivity analysis suggests that a 5% change in the absolute rate of exchange for US dollars would significantly affect its cash position at this time.

Capital risk management

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The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, reserves, and deficit. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, AAA Heidelberg Inc. receiving a MMPR license from Health Canada, the sale of the Company's e-cigarettes, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

OTHER RISKS AND UNCERTAINTIES

The Company is an exploration stage company with respect to its mineral interests. Based on the information available to date, the Company has not yet determined whether its mineral interests contain economically recoverable reserves. The recoverability of the amounts shown for mineral interests is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development, and upon future profitable production.

In conducting its business, the Company is subject to a number of other risks and uncertainties that could have a material adverse effect on the Company's business prospects or financial condition that could result in a delay or indefinite postponement in the development of the Company's mineral interests.

Risks associated with exploration stage companies

Exploring for mineral resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company has not commenced commercial operations and has no proven history of performance, earnings, or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan. The Company's Common Shares must be considered speculative primarily due to the nature of the Company's business and early stage of development. The Company has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions, and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sale of its equity or debt securities to raise capital. There can be no assurance that financing, whether equity or debt, will be available to the Company in the amount required by the Company at any particular time or for any period, and that such financing can be obtained on terms satisfactory to the Company.

Exploration and development

At this time, the Company's primary mineral property is in the exploration stage and the Company does not have an operating history with respect to its exploration activities. Exploration and development of mineral resources involves a high degree of risk and few properties which are explored are ultimately developed into producing properties. The amounts attributed to the Company's interest in its properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs which may be affected by a number of factors such as unusual or unexpected geological formations, and other conditions.

Property title

Although the Company believes it has exercised commercially reasonable due diligence with respect to determining title to properties it owns, controls, or has the right to acquire by option, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral interests may be subject to prior unrecorded agreements or transfers or native land claims, and title may be affected by undetected defects.

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There may be valid challenges to the title of the Company's mineral interests which, if successful, could impair development and operations. This situation may be exacerbated due to the large number of title transfers historically involved with some properties.

Licenses and permits

The Company will require licenses and permits from various governmental authorities regarding the Company's mineral interests. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, and mining operations for its mineral interests. Failure to obtain and maintain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration and development work which may result in its losing its interest in the subject property.

Competition

The mining industry is intensely competitive and the Company must compete in all aspects of its operations with a substantial number of other corporations which have greater technical and financial resources. The Company may be unable to acquire additional attractive mining properties on terms it considers acceptable.

Operating hazards and risks

Fires, power outages, labour disputes, flooding explosions, cave-ins, landslides, and the inability to obtain suitable or adequate machinery, equipment, or labour are some of the risks involved in exploration programs. Unknowns with respect to geological structures and other conditions are involved. Existing and future environmental laws may cause additional expense and delays in the activities of the Company, and may render the Company's properties uneconomic. The Company has no liability insurance and the Company may become subject to liability for pollution, cave-ins, or hazards against which it cannot insure, or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect of the Company's financial position.

Profitability of operations

The Company does not have profitable operations at this time and it should be anticipated that it will operate at a loss until such time as production is achieved from its properties, if production is in fact ever achieved. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

Foreign currency risk

The Company's mineral properties are located in Canada; accordingly, future changes in exchange rates do not affect the viability of exploring and development these mineral properties at this time.

Market risks

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. Mineral prices have fluctuated widely in recent years.

The marketability and price of minerals which may be produced or acquired by the Company will be affected by numerous factors beyond the control of the Company. These factors include delivery uncertainties related to the proximity of its reserves to processing facilities, and extensive government regulation relating to price, taxes, royalties, allowable production land tenure, the import and export of minerals, and many other aspects of the mining business. Declines in mineral prices may have a negative effect of the Company.

Future financings to further exploration programs

If the Company's exploration programs are successful, additional funds will be required for further exploration and development to place a property into commercial production. The Company's available sources of funds are:

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existing cash; the further sale of equity capital; and the offering by the Company of an interest in its properties to be earned by another party or parties carrying out further exploration or development thereof. There is no assurance such sources will continue to be available on favourable terms or at all. If available, future equity financings may result in dilution to current shareholders.

Going concern

The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its on-going commitments and further its mineral exploration programs.

ADDITIONAL SHARE INFORMATION

As at December 31, 2016, the Company had 32,104,555 common shares outstanding. The Company also had 11,672,600 warrants with an exercise price of \$0.10 - \$0.30 and expiry date to November 4, 2018; 685,500 Agent Warrants with an exercise price of \$0.30 and an expiry date of May 1, 2018; 3,313,750 stock options with exercise prices ranging from \$0.05 to \$0.875 and expiring at various dates to September 22, 2022.

As at the date of this report, the Company had 39,919,805 common shares outstanding. The Company also had 19,201,100 warrants with an exercise price ranging from \$0.075 to \$0.30 and expiry date to August 2020; 685,500 Agent Warrants with an exercise price of \$0.30 and an expiry date of May 1, 2018; 4,276,000 stock options with exercise prices ranging from \$0.05 to \$0.875 and expiring at various dates to September 22, 2022.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on the SEDAR at www.sedar.com.

**APPENDIX H -
UNAUDITED FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
PUF VENTURES INC.
FOR THE PERIOD ENDED JUNE 30, 2017**

PUF VENTURES INC.

**Condensed Interim Consolidated Financial Statements
Six Months Ended June 30, 2017**

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

Notice to Readers

Under National Instrument 51-102, Part 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of PUF Ventures Inc. for the six months ended June 30, 2017 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed interim consolidated financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

PUF VENTURES INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Notes	June 30, 2017	December 31, 2016 (audited)
ASSETS			
Current assets			
Cash		\$ 1,893,715	\$ 496,746
GST receivable		60,693	20,753
Prepays		150,375	62,500
		2,104,783	579,999
Loans receivable	5	-	477,514
Exploration and evaluation assets	6	208,843	154,300
Investment	7	-	512,389
Property, plant & equipment	8	1,593,193	-
TOTAL ASSETS		\$ 3,906,819	\$ 1,724,202
LIABILITIES			
Current liabilities			
Trade payables		\$ 299,029	\$ 264,029
Accrued liabilities		8,000	20,000
TOTAL CURRENT LIABILITIES		307,029	284,029
SHAREHOLDERS' EQUITY			
Share capital	9	18,121,684	15,551,901
Reserves	9	1,707,068	1,405,956
Deficit		(16,228,961)	(15,517,684)
TOTAL SHAREHOLDERS' EQUITY		3,599,791	1,440,173
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 3,906,819	\$ 1,724,202

Nature and continuance of operations (Note 1)

PUF VENTURES INC.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Sales	\$ -	\$ -	\$ -	\$ 138,850
Cost of sales	-	-	-	113,835
				25,015
Rental income	-	-	-	-
	-	-	-	25,015
EXPENSES				
Accounting and auditing	\$ 15,000	\$ 29,460	\$ 15,000	\$ 30,610
Advertising fees	16,625	-	30,209	-
Consulting and management	117,225	40,000	290,563	156,677
Development	20,000	-	35,000	-
Insurance	-	1,033	-	4,134
Legal	877	4,961	6,607	5,547
Office and sundry	39,443	2,481	57,283	10,765
Regulatory and transfer agent fees	21,188	1,500	31,173	3,000
Share-based compensation	-	-	215,332	2,634
Travel and business development	11,624	3,996	30,110	3,996
Loss before other items	(241,982)	(83,431)	(711,277)	(192,348)
OTHER ITEMS				
Foreign exchange gain	-	-	-	(10)
Other income	-	-	-	12,670
Realized gain on sale of investment	-	30,000	-	30,000
Unrealized gain (loss) on investment held for sale	-	(16,000)	-	(16,000)
	-	-	-	42,660
Loss and comprehensive loss for the period	\$ (241,982)	\$ (69,431)	\$ (711,277)	\$ (149,688)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding	42,483,790	13,167,267	38,307,243	10,702,979

See accompanying notes to the consolidated financial statements

PUF VENTURES INC.

Consolidated Statement of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

	Share capital		Share-based payment reserves	Warrant reserve	Deficit	Total
	Number of shares	Amount				
Balance at December 31, 2015	18,566,894	\$ 14,254,178	\$ 772,627	\$ 866,693	\$ (13,924,864)	\$ 1,968,634
Comprehensive loss:						
Net and comprehensive loss for the period	-	-	-	-	(149,688)	(149,688)
Shares issued for debt (Note 9)	250,000	52,500	-	-	-	52,500
Share-based compensation (Note 9)	-	-	2,634	-	-	2,634
Balance at June 30, 2016	18,816,894	\$ 14,306,678	\$ 775,261	\$ 866,693	\$ (14,074,552)	\$ 1,874,080

	Share capital		Share-based payment reserves	Warrant reserve	Deficit	Total
	Number of shares	Amount				
Balance at December 31, 2016	32,104,555	\$ 15,551,901	\$ 522,370	\$ 883,586	\$ (15,517,684)	\$ 1,440,173
Comprehensive loss:						
Net and comprehensive loss for the period	-	-	-	-	(711,277)	(711,277)
Shares issued for cash (Note 9)	7,656,500	1,914,125	-	-	-	1,914,125
Share issuance costs - cash (Note 9)	-	(79,643)	-	-	-	(79,643)
Share issuance costs - agent warrants (Note 9)	-	(85,780)	-	85,780	-	-
Shares issued for AAA-H	500,003	200,000	-	-	-	200,000
Warrants exercised (Note 9)	2,732,400	478,080	-	-	-	478,080
Options exercised (Note 9)	537,500	143,000	-	-	-	143,000
Share-based compensation (Note 9)	-	-	215,332	-	-	215,332
Balance at June 30, 2017	43,530,958	\$ 18,121,684	\$ 737,702	\$ 969,366	\$ (16,228,961)	\$ 3,599,791

See accompanying notes to the consolidated financial statements

PUF VENTURES INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	For the six months ended	
	June 30, 2017	June 30, 2016
Operating activities		
Net loss for the period	\$ (711,277)	\$ (149,688)
Adjustments for:		
Gain on debt forgiven	-	(12,670)
Share-based compensation	215,332	2,634
Unrealized loss on investment held for sale	-	(30,000)
Changes in non-cash working capital items:	(508,105)	131,175
Net cash flows used in operating activities	(1,004,050)	(58,549)
Financing activities		
Issuance of common shares	2,455,562	-
Net cash flows provided by financing activities	2,455,562	-
Investing activities		
Proceeds from sale of investment	-	50,000
Expenditures on exploration and evaluation assets	(54,543)	-
Net cash flows used in investing activities	(54,543)	50,000
Change in cash	1,396,969	(108,549)
Cash, beginning	496,746	123,264
Cash, ending	\$ 1,893,715	\$ 14,715

Non-cash transactions (Note 11)

1. NATURE AND CONTINUANCE OF OPERATIONS

PUF Ventures Inc. (the “Company”) was incorporated on June 24, 2004 pursuant to the Business Corporations Act (British Columbia). Effective June 19, 2014 the Company is listed on the Canadian Securities Exchange (“CSE” or the “Exchange”) under the symbol “PUF”.

On March 26, 2014, the Company acquired a 16.5% interest in AAA Heidelberg Inc. (“AAA-H”), a private company located in Ontario, for cash of \$120,000. The Company signed a Letter of Intent (“LOI”) with the principals of AAA-H whereby the Company was granted the exclusive option to acquire the balance of the 83.5% interest subject to certain conditions including the grant of a Marijuana for Medical Purposes Regulations (“MMPR”) license and by issuing up to 4,587,500 common shares of the Company subject to CSE escrow policies. The Share Exchange Agreement was finalized effective January 26, 2015. On February 24, 2015, the first tranche of 1,087,500 common shares representing an additional 19.79% interest was completed. On October 30, 2015, the second tranche of 500,000 common shares representing an additional 9.1% interest was completed. The Company now has a 45.39% ownership interest in AAA-H (Note 7).

On May 12, 2015, the Company acquired 100% of VapeTronix Inc. (“VapeTronix”). VapeTronix is a Canadian vaporizer and electronic cigarette company registered in the Province of Ontario. VapeTronix owns the exclusive rights to the “1313” electronic cigarette brand, a medicinal marijuana mobile application technology, and several research and development projects.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Further discussion of liquidity risk has been disclosed in Note 15.

At June 30, 2017, the Company has a working capital of \$1,797,754 (December 31, 2016 – \$295,970), and an accumulated deficit of \$16,228,961 (December 31, 2016 - \$15,517,684).

The Company generates minimal cash flow from operations and therefore relies upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the statement of financial position classifications used. These consolidated financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

The Company's corporate office is located at Suite 804, 750 Pender Street, Vancouver, British Columbia V6C 2T7.

2. BASIS OF PREPARATION

a) Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”).

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

b) Basis of consolidation

A subsidiary is an entity the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. These consolidated financial statements include the accounts of the Company and its Canadian and US subsidiaries including 1313 Wear Ltd., a Canadian wholly owned subsidiary, PacCan Real Estate Holdings Corporation, a USA wholly owned subsidiary, Vapetronix, Inc. a Canadian Wholly owned subsidiary and AAA Heidleberg, a Canadian subsidiary owned XX% by the Company.

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

c) Presentation and functional currency

The functional currency of the parent company, is the Canadian dollar, which is also the presentation currency of the consolidated financial statements. The functional currency of the Company’s Canadian and US subsidiaries is also the Canadian dollar.

Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the closing rate (the exchange rate at the reporting date).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in the profit or loss.

2. BASIS OF PREPARATION (continued)

d) Significant accounting judgments and estimates

The preparation of these financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of these financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year: impairment of non-financial assets; and share-based compensation.

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its exploration and evaluation assets. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from exploration and evaluation assets and subject to different accounting treatment. As at June 30, 2017 and December 31, 2016, management had determined that no reclassification of exploration and evaluation assets was required.

The allocation of the purchase price and subsequent costs between land and building required judgment. The allocation was determined using the latest property tax assessment.

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the annual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

New accounting standards and interpretations not yet adopted

The following accounting pronouncement has been released but has not yet been adopted by the Company:

IFRS 9 Financial Instruments

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 *Financial Instruments* (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is tentatively effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. INVESTMENT HELD FOR SALE

On January 15, 2015, the Company finalized an agreement with Kiska Metals Corporation (“Kiska”) for the option of the Company’s Chuchi property. At December 31, 2015, the Company held 200,000 common shares of Kiska which had a fair value of \$4,000 and an original cost of \$12,000. During the year ended December 31, 2016, the Company received an additional 800,000 shares of Kiska (Notes 6). During the year ended December 31, 2016, the Company sold 1,000,000 shares of Kiska for gross proceeds of \$50,000 and realized a gain of \$30,000.

5. LOANS RECEIVABLE

On November 3, 2014, the Company provided a loan in the amount of US\$17,000 (\$19,722) to the manager of the Company’s US subsidiary. The loan stated that it would be repaid in full within 30 days of written request. On April 9, 2015, a written demand for the loan receivable was made to the borrower with repayment to occur within 30 days from the date of demand. During the year ended December 31, 2015, the loan was not repaid and the Company consequently recorded a bad debt of \$23,723.

On November 3, 2014, the Company provided AAA-H with a \$160,000 loan. On February 20, 2015, the Company guaranteed a first mortgage to a third party in the amount of \$400,000 on behalf of AAA-H that was due on July 7, 2015. On August 6, 2015, the Company agreed to pay the third party \$4,000 in interest plus a bonus of \$1,600 for a two month extension of the mortgage on behalf of AAA-H. The third party had the option to extend the mortgage for another year. Upon doing so, the Company paid the third party \$100,000 to reduce the principal balance of the mortgage by \$64,000 and pre-pay the interest on the mortgage for a one year period along with a bonus of \$60,000. This loan is secured by all the assets of AAA-H and subordinate only to a first mortgage to the third party in the amount of \$400,000. During the year ended December 31, 2016, the Company issued a total of 1,890,880 units of the Company with a fair value of \$0.05 per unit representing a full year of interest totaling \$94,544 as well as 405,180 units with a fair value of \$20,259 as a finder’s fee for securing another mortgagor. During the year ended December 31, 2016, the Company also advanced \$30,000 in cash to cover certain expenditures of AAA-H. At December 31, 2016, the total amount of the loan receivable from AAA-H is \$477,514 (2015: \$332,710). The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement dated January 26, 2015 by a cancellation of shares of the Company otherwise issuable with a fair value of \$477,514. During the six months ended June 30, 2017, the Company acquired control of AAA-H and the amount has been removed from consolidation.

6. EXPLORATION AND EVALUATION ASSETS

Lac Saint Simon, Quebec

The Company acquired a 100% interest in certain mineral claims located in Quebec, Canada, known as the Lac Saint Simon Lithium through the issuance of 2,000,000 common shares of the Company valued at \$0.065 per share for total value of \$130,000. During the year ended December 31, 2016, the Company incurred expenditures of \$24,300 on the property including \$15,000 of camp costs, \$9,300 of geological consulting. During the three months ended March 31, 2017, the Company incurred geological consulting of \$48,745.

7. INVESTMENT

On March 26, 2014, the Company acquired a 16.5% interest in AAA-H for \$120,000. The Company executed a Share Exchange Agreement effective January 26, 2015 with the principals of AAA-H whereby the Company can acquire the remaining 83.5% interest subject to certain conditions including the grant of a “MMPR” license by issuing up to 4,587,500 common shares of the Company subject to CSE escrow policies. The common shares will be issued in stages. On February 24, 2015, the first tranche of 1,087,500 common shares with a fair value of \$348,000 representing an additional 19.79% interest was completed. On February 24, 2015, the Company commenced equity accounting the investment in AAA-H. As a result the Company fair valued its equity accounted investment in AAA-H and recorded a gain of \$170,147 in the statement of comprehensive loss representing the difference between the cost and the fair value of the investment. On October 30, 2015, the second tranche of 500,000 common shares, with a fair value of \$80,000 representing an additional 9.1% interest was completed. The Company now has a 45.39% ownership interest in AAA-H. The Company’s share of AAA-H’s loss for the year totaled \$205,758 (2015 - \$nil). During the six months ended June 30, 2016, the Company acquired an additional 9.1% interest in AAA-H for 500,000 common shares with a fair value of \$200,000. The Company is now being consolidated.

8. PROPERTY, PLANT & EQUIPMENT

During the six months ended June 30, 2017, the Company acquired control of AAA-H and continues to complete the construction on the land and building that form part of facility as part of the ACMPR application in London, Ontario. The Company will commence amortization on this asset once it has been put into production.

INTELLECTUAL PROPERTY

During the year ended December 31, 2016, the Company commenced the development on new vaporizer technology. The Company incurred development costs of \$210,000 during the year. During the six months ended June 30, 2017, the Company incurred a further \$35,000 of development costs on this project.

9. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value.

Issued:

PUF VENTURES INC.
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)
Six months ended June 30, 2017

On January 22, 2016, the Company issued 250,000 common shares to settle \$30,000 of accounts payable.

On May 16, 2016, the Company issued 125,000 common shares to settle \$26,250 of accounts payable resulting in a gain of \$16,250.

9. SHARE CAPITAL (continued)

a) Common shares (continued)

On August 3, 2016, the Company issued 2,000,000 common shares at a price of \$0.065 per share to acquire the Lac Saint Simon mineral property

On August 17, 2016, the Company issued 4,062,000 units at a price of \$0.05 per unit for gross proceeds of \$203,100. Each unit consists of one common share and one transferable share purchase warrant of the Company. Each warrant is exercisable to purchase one additional common share of the Company until August 17, 2018 at \$0.10 per share. The full issue price was allocated to the common shares. Finders' fees were paid in the amount of \$7,020 along with the issuance of 202,800 agent warrants. Each agent warrant is exercisable to purchase one common share of the Company until August 17, 2018 at \$0.10 per share. These agent warrants have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$7,719, assuming an expected life of two years, a risk-free interest rate of 1.5%, an expected dividend rate of 0.00%, and an expected annual volatility of 192%.

On August 19, 2016, the Company issued 3,470,260 common shares at a price of \$0.08 to settle debt of \$173,514, resulting in a loss of \$104,107.

On November 4, 2016, the Company issued 260,000 flow-through common shares at a price of \$0.25 per share for gross proceeds of \$65,000 and 1,545,000 units at a price of \$0.20 per unit for gross proceeds of \$309,000. Each unit consists of one common share and one transferable share purchase warrant of the Company. Each warrant is exercisable to purchase one additional common share of the Company until November 4, 2018 at \$0.25 per share. The full issue price was allocated to the common shares. The Company recorded \$13,000 as a flow-through share premium which was reversed in the statement of comprehensive loss upon the Company incurring the required exploration expenditures. Finders' fees were paid in the amount of \$7,680 along with the issuance of 62,700 agent warrants. Each agent warrant is exercisable to purchase one common share of the Company until November 4, 2018 at \$0.25 per share. These agent warrants have a fair value, calculated using the Black-Scholes Option Pricing Model, of \$9,174, assuming an expected life of two years, a risk-free interest rate of 1.5%, an expected dividend rate of 0.00%, and an expected annual volatility of 152%.

During the year ended December 31, 2016, the Company issued 1,275,400 shares on the exercise of warrants for proceeds of \$157,080 and 550,000 shares on the exercise of stock options for proceeds of \$110,000.

On March 10, 2017, the Company issued 7,656,500 units at a price of \$0.25 per unit, raising gross proceeds of \$1,914,125. Each unit consists of one common share and one transferrable common share purchase warrant. Each warrant is exercisable to purchase one additional common share of the Company until March 19, 2019 at \$0.40 per common share. Finders' fees were paid in the amount of \$79,643 cash along with the issuance of Finders' warrants of 299,370.

During the six months ended June 30, 2017, the Company issued 3,026,850 on the exercise of warrants for proceeds of \$478,080, and 537,500 shares on the exercise of stock options for proceeds of \$143,000.

During the six months ended June 30, 2017, the Company issued 500,003 common shares valued at \$200,000 on the acquisition of 9.1% of AA-H.

9. **SHARE CAPITAL** (continued)

b) **Warrants outstanding**

	Number of warrants	Weighted average exercise price
At December 31, 2015	7,341,000	0.300
Warrants exercised	(1,275,400)	0.123
Warrants issued	5,872,500	0.123
At December 31, 2016	11,938,100	\$ 0.220
Warrants exercised	(2,732,400)	0.123
Warrants issued	7,955,870	0.123
At June 30, 2017	17,161,570	\$ 0.220

Expiry Date	Remaining life (years)	Number of warrants	Exercise price
May 1, 2018	0.83	3,567,750	\$ 0.300
August 17, 2018	1.11	2,430,450	0.075
October 30, 2018	1.29	1,595,000	0.300
November 4, 2018	1.33	1,612,500	0.250
March 10, 2019	1.23	7,955,870	0.40
Balance at June 30, 2017		17,161,570	\$ 0.220

c) **Stock options outstanding**

On August 14, 2015, the Company's 2015 Stock Option Plan was approved. Under this plan, the Company may grant options to directors, officers, employees, and consultants, provided that the maximum number of options that are outstanding at any time shall not exceed 20% of the issued and outstanding common shares of the Company. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less applicable discount. The options may be granted for a maximum of ten years and vesting is determined by the Board of Directors.

Grant Date	Expiry date	Number of options	Exercise price
March 12, 2014	March 11, 2019	87,500	\$ 0.640
September 22, 2016	September 22, 2022	950,000	0.235
January 24, 2017	January 24, 2019	975,000	0.265
Balance at June 30, 2017		2,012,500	0.314

	Number of options	Weighted average exercise price
Balance at December 31, 2015	1,841,250	0.496
Options cancelled and expired	(707,500)	0.20
Options exercised	(550,000)	0.20
Options granted	1,650,000	0.21
At December 31, 2016	2,233,750	\$ 0.345
Options cancelled and expired	(658,750)	0.375
Options exercised	(537,500)	0.25
Options granted	975,000	0.265
At June 30, 2017	2,012,500	\$ 0.314

9. SHARE CAPITAL (continued)

c) Stock options outstanding (continued)

On January 22, 2016, the Company granted 250,000 stock options to certain consultants of the Company to acquire 250,000 shares of the Company at an exercise price of \$0.20 per share for a period of one year that expire on January 22, 2016. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of \$16,940 assuming an expected life of one year, a risk-free interest rate of 1.5%, an expected dividend rate of 0.00%, and an expected annual volatility of 128%.

On January 22, 2016, the Company granted 1,400,000 stock options to certain consultants of the Company to acquire 1,400,000 shares of the Company at an exercise price of \$0.235 per share for a period of five years that expire on January 22, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of \$232,224 assuming an expected life of five years, a risk-free interest rate of 1.5%, an expected dividend rate of 0.00%, and an expected annual volatility of 147%.

On January 24, 2017, the Company granted 975,000 stock options to certain consultants of the Company to acquire 975,000 of the Company at an exercise price of \$0.265 per share for a period of two years that expire on January 24, 2019. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of \$215,332 assuming an expected life of two years, a risk-free interest rate of 1.65%, an expected dividend rate of 0.00%, and an expected annual volatility of 194.35%.

All stock options vested on the date of grant.

d) Share-Based Payments Reserve

The share-based payment reserve represents employee entitlements to share-based awards that have been charge to the loss and other comprehensive loss in the periods during which the entitlements were accrued and have not yet been exercised. When the stock options are exercised, the corresponding amount will be transferred to share capital. If the options expired unexercised, the amount recorded is transferred to deficit.

e) Warrants Reserve

The warrants reserve records fair value of the warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to deficit.

10. RELATED PARTY TRANSACTIONS

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the period ended March 31, 2017 and the year ended December 31, 2016:

Six months ended June 30, 2017

	Consulting
Cherry Consulting Ltd	\$ 8,450
Elben Capital Inc.	36,000
Jerry Habuda	7,500
Joseph Perino	7,500
	<u>\$ 59,450</u>

Year ended December 31, 2016

	Consulting	Rent	Share-based Compensation
Christopher Hornung	\$ -	\$ -	\$ 15,900
Paradigm Shift	17,675	-	-
Cherry Consulting Ltd	22,849	-	15,900
Elben Capital Inc.	83,000	-	-
Derek Ivany	25,000	-	63,598
Foremost Management Services Inc.	-	5,500	-
Jerry Habuda	7,500	-	15,900
Joseph Perino	7,500	-	15,900
	<u>163,524</u>	<u>\$ 5,500</u>	<u>\$ 127,196</u>

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand.

11. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities along with other cash flow information during as at June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017	December 31, 2016
Fair value of agent warrants issued for share costs	\$ 85,780	\$ -
Shares received on mineral property	-	16,000

12. SEGMENTED INFORMATION

The Company operates in four reportable segments: (i) the acquisition, exploration, and development of exploration and evaluation assets; (ii) the medical marijuana industry through the purchase of an interest in a private Ontario company that is in the process of applying for a MMPR license; (iii) the sale of e-cigarettes and (iv) acquiring rental property in the State of Washington.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, loans to related parties, loans receivable, accounts payable, and mortgage payable approximate their carrying values due to the immediate or short-term nature of these instruments.

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash is measured using level 1 inputs.

b) Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

The loans receivable expose the Company to credit risk and the Company has limited this exposure by securing one of the loans with collateral; and the other loan is unsecured.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at March 31, 2017 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Financial risk management (continued)

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates. The Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and current financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk. The Company's sensitivity analysis suggests that a 5% change in the absolute rate of exchange for US dollars would not significantly affect its cash position at this time.

(c) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, AAA H. receiving a MMPR license from Health Canada, the sale of the Company's e-cigarettes, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

PUF VENTURES INC.

Management's Discussion and Analysis

For the Six Months Ended June 30, 2017

(Unaudited – prepared by management)

(Expressed in Canadian Dollars)

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For the Six Months Ended June 30, 2017

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of PUF Ventures Inc. ("PUF" or the "Company") for the six months ended June 30, 2017 should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes for the six months ended June 30, 2017 and the audited consolidated financial statement and accompanying notes for the year ended December 31, 2016, which are prepared in accordance with International Financial Reporting Standards ("IFRS").

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, are complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board of Director's Audit Committee meets with management quarterly to review the financial statements and the MD&A and to discuss other financial, operating, and internal control matters. The reader is encouraged to review the Company's statutory filing on www.sedar.com.

This MD&A is prepared as at August 29, 2017. All dollar figures stated herein are expressed in Canadian dollars unless otherwise indicated.

Readers should use the information contained in this report in conjunction with all other disclosure documents including those filed on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding exploration results and budgets, mineral resource estimates, work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties, and other factors. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties involved in disputes and litigation, fluctuations in commodity prices and currency exchange rates; uncertainties relating to interpretation of drill results and the geology, continuity and grade of deposits; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and economic return; the need for cooperation of government agencies and native groups in the exploration and development of properties and the issuance of required permits; the need to obtain additional financing to develop properties and uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs or in construction projects and uncertainty in meeting anticipated program milestones; uncertainty regarding the potential acquisition of AAA Heidelberg Inc.; uncertainty regarding obtaining a Marihuana for Medical Purposes Regulations license from Health Canada; uncertainty regarding changes in laws, regulations, and guidelines issued by Health Canada and the State of Washington; uncertainty regarding the risks inherent in an agricultural business such as insects and plant diseases; product liability; fluctuations in prices; uncertainty of the sales of e-cigarettes; fluctuations in energy costs; and uncertainty as to timely availability of licenses, permits, and other government approvals and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policy that all forward-looking statements are based on the Company's beliefs and assumptions, which are based on information available at the time these assumptions are made. The forward

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looking statements contained herein are as of November 30, 2015 and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning our expectations for satisfactory drill results and satisfactory resolution of the Company's contingent liability and the Company's investment in AAA Heidelberg Inc. and VapeTronix Inc.

Actual results or events could differ materially from the plans, intentions, and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties, and other factors such as those described above and in "Risks and Uncertainties" below. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

DESCRIPTION OF THE BUSINESS

PUF Ventures Inc. was incorporated on June 24, 2004 pursuant to the Business Corporations Act (British Columbia). On February 9, 2011, the name of the Company was changed from New High Ridge Resources Inc. to Newton Gold Corp., on November 7, 2013 to PUF Technologies, Inc., and on November 13, 2015 to PUF Ventures Inc. Until June 18, 2014, the Company was listed on the TSX Venture Exchange under the symbol "CMT". Effective June 19, 2014 the Company is listed on the Canadian Securities Exchange ("CSE" or the "Exchange") under the symbol "PUF". All share capital figures reflect the share consolidation.

On July 16, 2015, the Company qualified to trade on the OTC Marketplace under the symbol "CHLMF" and has been made eligible for book-entry delivery and depository services of the Depository Trust Company to facilitate electronic settlement of transfers of its common shares in the United States. This electronic method of clearing securities speeds up the receipt of stock and cash and therefore accelerates the settlement process for investors.

During the nine months ended September 30, 2016, the Company completed a 4 for 1 share consolidation. All references to number of shares and per share amounts have been retroactively restated to reflect this consolidation.

The Company also trades on the Frankfurt Stock Exchange under the symbol HR2P.

The Company is classified as an exploration stage company with respect to its exploration and evaluation assets. Based on the information available to date, the Company has not yet determined whether its exploration and evaluation assets contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the ability of the Company and their joint venture partners to obtain the necessary financing to successfully complete their development, and upon future profitable production or disposition thereof. Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

On March 26, 2014, the Company acquired a 16.5% interest in AAA Heidelberg Inc., a private company located in Ontario, for cash of \$120,000. The Company signed a Letter of Intent ("LOI") with the principals of AAA Heidelberg Inc. whereby the Company was granted the exclusive option to acquire the balance of the 83.5% interest subject to certain conditions including the grant of a Marihuana for Medical Purposes Regulations ("MMPR") license and by issuing up to 18,350,000 common shares of the Company subject to Canadian Securities Exchange escrow policies. The Share Exchange Agreement was finalized effective January 26, 2015. On February 24, 2015, the first tranche of 4,350,000 common shares representing an additional 19.79% interest was completed. On October 30, 2015, the second tranche of 2,000,000 common shares representing an additional 9.1% interest was completed. The Company now has a 45.39% ownership interest in AAA Heidelberg Inc.

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On November 3, 2014, the Company provided AAA-H with a \$160,000 loan. On February 20, 2015, the Company guaranteed a first mortgage to a third party in the amount of \$400,000 on behalf of AAA-H that was due on July 7, 2015. On August 6, 2015, the Company agreed to pay the third party \$4,000 in interest plus a bonus of \$1,600 for a two month extension of the mortgage on behalf of AAA-H. The third party had the option to extend the mortgage for another year. Upon doing so, the Company paid the third party \$100,000 to reduce the principal balance of the mortgage by \$64,000 and pre-pay the interest on the mortgage for a one year period along with a bonus of \$60,000. This loan is secured by all the assets of AAA-H and subordinate only to a first mortgage to the third party in the amount of \$400,000. At March 31, 2016, the total amount of the loan is \$332,710 (December 31, 2015: \$332,710). The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement dated January 26, 2015 by a cancellation of shares of the Company otherwise issuable with a fair value of \$332,710 (Note 7). During the year ended December 31, 2016, the Company issued a total of 1,890,880 units of the Company with a fair value of \$0.05 per unit representing a full year of interest totaling \$94,544 as well as 405,180 units as a finder's fee for securing another mortgagor. During the year ended December 31, 2016, the Company also advanced \$30,000 in cash to cover certain expenditures of AAA-H. At December 31, 2016, the total amount of the loan receivable from AAA-H is \$477,514 (2015: \$332,710). The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement dated January 26, 2015 by a cancellation of shares of the Company otherwise issuable with a fair value of \$477,514 (Note 7). During the period ended September 30, 2016, the Company issued a total of 1,890,880 common shares of the Company at a deemed value of \$0.05 per common share representing a full year of interest-only payments totaling \$94,544 and 405,180 common shares as finder's fees valued at \$26,337, pursuant to the securing of a new private mortgage group that replaced the Company's existing lender. The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement dated January 26, 2015 by a cancellation of shares of the Company otherwise issuable with a fair value of \$453,591.

The Company has not finalized the transaction with AAA Heidelberg Inc. The Company does not know, nor can it predict the timeframe for AAA Heidelberg Inc. to complete the application process and receive a response from Health Canada; accordingly, there is no certainty that AAA Heidelberg Inc. will be granted a license under MMPR, or that a transaction will be completed.

During the six months ended June 30, 2017, the Company issued 500,003 common shares at a deemed price of \$0.40 to the shareholders of AAA Heidelberg and the Company now controls 54.9% of AAA Heidelberg.

On May 12, 2015, the Company announced the closing of the acquisition of 100% of VapeTronix Inc. VapeTronix, Inc. is a Canadian vaporizer and electronic cigarette company registered under the *Canada Business Corporations Act* located in Toronto, Ontario. VapeTronix, Inc. owns the exclusive rights to the "1313" electronic cigarette brand, a medicinal marijuana mobile application technology, and several research and development projects. The purchase price for the VapeTronix shares was an aggregate of 7,000,000 common shares of the Company of which 1,500,000 common shares will be released subject to certain performance milestones being met. Finders' fees of 700,000 units were issued on closing.

Highlights of the VapeTronix, Inc. business are:

- 1313's flavoured e-cigarettes are currently being sold in Ontario with Canada-wide expansion planned;
- 1313's nicotine e-cigarettes are ready for a planned roll-out into the US market;
- additional product lines are planned to add additional revenue opportunities;
- a medical marijuana mobile application is under development to track a variety of metrics for patients and physicians such as cannabis usage data, the efficacy of certain strains, and side effects; and
- the VapeTronix, Inc. marketing and development team will work with the Company on leveraging various synergies between its medical marijuana mobile application and vaporizer technology with the anticipated MMPR license to be issued to AAA Heidelberg Inc.

1313 (visit their website at www.1313cigs.com) is an emerging player in the burgeoning e-cigarette market. 1313 e-cigarettes (or "e-cig") are disposable electronic cigarettes that contain between 500 and 650 "puffs" and are

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packaged for convenience. A single 1313 e-cigarette is the equivalent of two and a half packs of traditional cigarettes. VapeTronix, Inc. has assembled a strong portfolio of unique flavours that have been tested and approved for commercial production. Initial commercial roll-out of 1313 e-cigarettes has begun in Ontario. Select convenience stores and nightclub establishments in the Greater Toronto Area are already selling the nicotine-free 1313 e-cig products with watermelon, vanilla, peach, and green apple flavours. VapeTronix, Inc. plans to continue sales expansion of 1313 e-cigs to major urban centres across Canada in 2015 and beyond. A unique line of "e-shisha" flavours that are aimed at appealing to the North American and Middle Eastern hobbyist hookah smoker are also in a test phase. 1313 has begun test trials in US markets for its nicotine products and plans to further pursue this market opportunity.

On September 1, 2015, the Company announced a new product line of 1313 nicotine-free e-cigarettes, with the newest produce being "1313 Energy". It is infused with taurine and contains a flavour profile similar to that of popular energy drinks currently on the market.

On September 24, 2015, the Company entered into an exclusive worldwide licensing agreement with Canadian R&B recording artist, Massari, for a unique line of branded electronic Shisha devices. In conjunction with Massari and his management team, the Company is creating a branded disposable shisha e-cigarette that will be introduced in Canada first with a roll-out into international markets.

On October 3, 2015, the Company announced that it is introducing a premium e-liquid/e-juice product suite to its 1313 brand of e-cigarettes. The initial skews will consist of two unique and exclusive flavour profiles designated for the US market: caramel tobacco; and 1313 Energy with nicotine. The Company has entered into a production agreement with a boutique purveyor in California for the manufacture of these specialty vape liquids.

In addition to the 1313 e-cig brand, VapeTronix, Inc. has incubated a development stage medicinal marijuana mobile application tracking technology that synchronizes a vaporizer device to a smart phone and will be aimed at the Canadian medical marijuana user. The medical marijuana mobile application called WeedBeacon, will track a variety of metrics for patients and physicians such as cannabis usage data, the efficacy of certain strains, side effects, as well as several other features. The VapeTronix, Inc. team will work in conjunction with PUF and AAA Heidelberg Inc. to implement additional features in the technology, prior to releasing a commercial version to the public.

The development of the medicinal marijuana mobile application has many potential synergies with AAA Heidelberg Inc. This application will assist AAA Heidelberg Inc. with its Doctor Outreach Program (see the news release dated June 23, 2014) that plans on creating relationships with the doctors and clinics in southern Ontario that are pro medical marijuana in advance of the issuance of a MMPR license.

VapeTronix Inc. has a history of net losses, may incur significant net losses in the future, and may not achieve or maintain profitability.

During the year ended December 31, 2016, VapeTronix commenced the development on new vaporizer technology. The Company incurred and expensed development costs of \$210,000 during the year. The Company incurred an additional \$35,000 of expenses during the three months ended June 30, 2017.

EXPLORATION AND EVALUATION PROPERTIES**Lac Saint Simon, Quebec**

The Company has acquired a 100% interest in certain mineral claims located in Quebec, Canada, known as the Lac Saint Simon Lithium through the issuance of 2,000,000 common shares of the Company valued at \$0.065 per share for total value of \$130,000.

The Company is currently negotiating the sale of the Lac Saint Simon property and will provide an update on this matter shortly.

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INVESTMENT

On March 26, 2014, the Company acquired a 16.5% interest in AAA Heidelberg Inc., a private company located in Ontario, for \$120,000. The Company has now executed a Share Exchange Agreement with the principals of AAA Heidelberg Inc. whereby the Company can acquire the remaining 83.5% interest subject to certain conditions including the grant of a Marihuana for Medical Purposes Regulations ("MMPR") license by issuing up to 18,350,000 common shares of the Company subject to voluntary escrow provisions. The common shares will be issued in stages.

On November 3, 2014, the Company provided AAA-H with a \$160,000 loan. On February 20, 2015, the Company guaranteed a first mortgage to a third party in the amount of \$400,000 on behalf of AAA-H that was due on July 7, 2015. On August 6, 2015, the Company agreed to pay the third party \$4,000 in interest plus a bonus of \$1,600 for a two month extension of the mortgage on behalf of AAA-H. The third party had the option to extend the mortgage for another year. Upon doing so, the Company paid the third party \$100,000 to reduce the principal balance of the mortgage by \$64,000 and pre-pay the interest on the mortgage for a one year period along with a bonus of \$60,000. This loan is secured by all the assets of AAA-H and subordinate only to a first mortgage to the third party in the amount of \$400,000. At March 31, 2016, the total amount of the loan is \$332,710 (December 31, 2015: \$332,710). The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement dated January 26, 2015 by a cancellation of shares of the Company otherwise issuable with a fair value of \$332,710 (Note 7). During the period ended September 30, 2016, the Company issued a total of 1,890,880 common shares of the Company at a deemed value of \$0.05 per common share representing a full year of interest-only payments totaling \$94,544 and 405,180 common shares as finder's fees valued at \$26,337, pursuant to the securing of a new private mortgage group that replaced the Company's existing lender. The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement dated January 26, 2015 by a cancellation of shares of the Company otherwise issuable with a fair value of \$453,591.

On February 24, 2015, the first tranche of 4,350,000 common shares representing an additional 19.79% interest was completed bringing the total investment to 36.29%.

On October 30, 2015, the second tranche of 2,000,000 common shares representing an additional 9.1% interest was completed upon AAA Heidelberg Inc. being notified by Health Canada that it successfully progressed through the Security Clearance Stage and has entered the Review Stage. The Company now has a 45.39% ownership interest in AAA Heidelberg Inc.

AAA Heidelberg Inc. currently owns a secure 8,800 square foot commercial building and land located in London, Ontario. Since December 2013, AAA Heidelberg Inc. has had an application pending with Health Canada for a new MMPR license for the production of up to 1,320 pounds of marijuana in the first year.

As of April 1, 2014, new producers will be required to be licensed by Health Canada and to conform to strict new regulations. On April 2, 2014, the Company received its final copy of an independent economic analysis on the Company's entry into Canada's emerging medical marijuana industry. The report states "the new regulations suggest that the medical marijuana industry will be put on the same footing as the pharmaceutical manufacturing sector. The regulations are quite onerous in terms of production distribution and security standards. Health Canada will only issue licenses to producer/distributors that they deem capable of meeting these detailed regulatory standards. That suggests that Canada will very rapidly evolve from a market of thousands of informal producers to one of a much smaller number of sophisticated producers."

On May 15, 2014, the Company announced that Betty Quon was hired as AAA Heidelberg Inc.'s General Manager for its London, Ontario facility. Ms. Quon will be responsible for all aspects of AAA Heidelberg Inc.'s ongoing permit application with Health Canada in order to streamline the permitting process. Ms. Quon's skill set will enhance AAA Heidelberg Inc.'s ability to both attract the talent and build a team that can execute their business strategy.

On June 12, 2014, the Company announced that David Hyde and Associates were retained by AAA Heidelberg

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Inc. to assist in completing all of the security protocols required by Health Canada in order to be granted a license under MMPR. David Hyde and Associates are uniquely qualified to assist AAA Heidelberg Inc. as they have worked with other licensed producers that have already received a license under MMPR.

On June 23, 2014, the Company announced that AAA Heidelberg Inc. has initiated its Doctor Outreach Program to identify and create relationships with the doctors and clinics in southern Ontario that are pro medical marijuana, in advance of the issuance of a MMPR license.

In conjunction with the Doctor Outreach Program, AAA Heidelberg Inc. has hired David Bard as its Director of Business Development. Mr. Bard will utilize his considerable experience in the pharmaceutical and medical device industry. This experience has given him unique relationships with doctors and clinics in southern Ontario to which he can ultimately market AAA Heidelberg Inc. and the various strains of medical marijuana that AAA Heidelberg Inc. plans to grow.

On September 24, 2014, the Company announced that AAA Heidelberg Inc. has been notified by Health Canada that it has passed the Enhanced Screening stage and is currently in the Security Stage. In this stage, the principals of AAA Heidelberg Inc. are being subject to detailed background checks. Upon passing the Security Stage, AAA Heidelberg Inc. anticipates a review and then a pre-license inspection.

To this end, completion of the build-out of the facility continues. The facility will feature automated systems for temperature, light, humidity, carbon dioxide, and special ventilation for bacteria control. The entire facility has been planned to meet the highest level of pharmaceutical standards.

As announced on November 12, 2014, the last major remaining interrelated components of the build-out were completed, being the HVAC and Surna Water Chilled Climate Control equipment. Remaining work includes the installation and commissioning of the climate control interfaces and computer systems.

The Company does not know nor can it predict the timeframe for AAA Heidelberg Inc. to complete the application process and receive a response from Health Canada; accordingly, there is no certainty that AAA Heidelberg Inc. will be granted a license under MMPR, or that the transaction will be completed.

Should AAA Heidelberg Inc. be granted a license, the Company intends to complete the transaction by issuing the remaining shares of the Company to the shareholders of AAA Heidelberg. The completion of the transaction will be considered a Change of Business and at that time the Company will make a filing with the Canadian Securities Exchange, create a disclosure statement, and convene a special meeting to seek shareholder approval.

The following risk factors should be carefully considered in evaluating the Company, its potential acquisition of AAA Heidelberg Inc., and the resulting Company post transaction. The risks presented below may not be all of the risks that the Company post transaction and AAA Heidelberg Inc. may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. The market in which AAA Heidelberg Inc. currently competes is very competitive and changes rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements.

Reliance on license

AAA Heidelberg Inc.'s ability to grow, store, and sell medical marijuana in Canada is dependent on obtaining a license under the MMPR from Health Canada. Failure to comply with the requirements of the license or any failure to maintain this license would have a material adverse impact on the business, financial condition, and operating results of AAA Heidelberg Inc. and the Company post transaction.

Regulatory risks

The activities of AAA Heidelberg Inc. are subject to regulation by governmental authorities, particularly Health Canada. Achievement of AAA Heidelberg Inc.'s business objectives are contingent, in part, upon

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compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. AAA Heidelberg Inc. cannot predict the time required to secure all appropriate regulatory approvals for its products, the extent of testing and documentation that may be required by governmental authorities, or the effect of the process by the actions of its shareholders. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of AAA Heidelberg Inc. and the Company post transaction.

Change in laws, regulations, and guidelines

AAA Heidelberg Inc.'s operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of medical marijuana but also including laws and regulations relating to health and safety, the conduct of operations, and the protection of the environment. While to the knowledge of AAA Heidelberg Inc.'s management, AAA Heidelberg Inc. is currently in compliance with all such laws, changes to such laws, regulations, and guidelines due to matters beyond the control of AAA Heidelberg Inc. may cause adverse effects to AAA Heidelberg Inc.'s operations.

On March 21, 2014 the Federal Court of Canada issued an order affecting the repeal of the Marijuana Medical Access Regulations ("MMAR") and the application of certain portions of the MMPR which are inconsistent with the MMAR in response to a motion brought by four individuals. This order and its anticipated effects on AAA Heidelberg Inc. are unknown. It is unclear how the Government of Canada will react to this order or how the Federal Court of Canada might ultimately decide the case to which the order relates. The risks to the business of AAA Heidelberg Inc. represented by this or similar actions are that they might lead to court rulings or legislative changes that allow those with existing licenses to possess and/or grow medical marijuana and perhaps others to opt out of the regulated supply system implemented through the MMPR, in which AAA Heidelberg Inc. is a licensed producer. This could significantly reduce the addressable market for AAA Heidelberg Inc.'s products and could materially and adversely affect the business, financial condition, and results of operations of AAA Heidelberg Inc. and the Company post transaction.

While the impact of such changes are uncertain and are highly dependent on which specific laws, regulations, or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on AAA Heidelberg Inc.'s operations that is materially different than the effect on similar-sized companies in the same business as AAA Heidelberg Inc..

Limited operating history

AAA Heidelberg Inc., while incorporated in 2010, began carrying on business in 2013 and has yet to generate revenue from the sale of products. AAA Heidelberg Inc. is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that AAA Heidelberg Inc. will be successful in achieving a return on shareholders' investment and likelihood of success must be considered in light of the early stage of operations.

Reliance on a single facility

To date, AAA Heidelberg Inc.'s activities and resources have been primarily focused on its facility in London, Ontario and AAA Heidelberg Inc. will continue to be focused on this facility for the foreseeable future. Adverse changes or developments affecting the facility could have a material and adverse effect on AAA Heidelberg Inc.'s business, financial condition, and prospects.

Reliance on management

The success of AAA Heidelberg Inc. is dependent upon the ability, expertise, judgment, discretion, and good faith of its management. While employment agreements are customarily used as a primary method of

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retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on AAA Heidelberg Inc.'s business, operating results, or financial condition.

Factors which may prevent realization of growth targets

AAA Heidelberg Inc. is currently in the early development stage. AAA Heidelberg Inc.'s growth strategy contemplates outfitting the facility with additional production resources. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including the following:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- plant design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

As a result, there is a risk that AAA Heidelberg Inc. may not have product or sufficient product available for shipment to meet the anticipated demand or to meet future demand when it arises.

AAA Heidelberg Inc. has a history of net losses, may incur significant net losses in the future, and may not achieve or maintain profitability.

AAA Heidelberg Inc. has incurred losses in recent periods. AAA Heidelberg Inc. may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, AAA Heidelberg Inc. expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If AAA Heidelberg Inc.'s revenues do not increase to offset these expected increases in costs and operating expenses, AAA Heidelberg Inc. will not be profitable.

Additional financing

The building and operation of AAA Heidelberg Inc.'s facilities and business are capital intensive. In order to execute the anticipated growth strategy, AAA Heidelberg Inc. will require some additional equity and/or debt financing to support on-going operations, to undertake capital expenditures, and/or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to AAA Heidelberg Inc. or the Company when needed or on terms which are acceptable. AAA Heidelberg Inc.'s inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit AAA Heidelberg Inc.'s growth and may have a material adverse effect upon future profitability. AAA Heidelberg Inc. and the Company may require additional financing to fund its operations to the point where it is generating positive cash flows.

Competition

There is potential that AAA Heidelberg Inc. and the Company post transaction will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than AAA Heidelberg Inc. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition,

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and results of operations of AAA Heidelberg Inc. and the Company post transaction.

Because of the early stage of the industry in which AAA Heidelberg Inc. operates, AAA Heidelberg Inc. expects to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and AAA Heidelberg Inc. expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, AAA Heidelberg Inc. will require a continued high level of investment in research and development, marketing, sales, and client support. AAA Heidelberg Inc. and the Company post transaction may not have sufficient resources to maintain research and development, marketing, sales, and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition, and results of operations of AAA Heidelberg Inc. and the Company post transaction.

Risks inherent in an agricultural business

AAA Heidelberg Inc.'s business involves the growing of medical marijuana, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business such as insects, plant diseases, and similar agricultural risks. Although AAA Heidelberg Inc. will grow its products indoors under climate controlled conditions and will carefully monitor the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Vulnerability to rising energy costs

AAA Heidelberg Inc.'s medical marijuana growing operations consume considerable energy, making AAA Heidelberg Inc. and the Company post transaction vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of AAA Heidelberg Inc. and its ability to operate profitably.

Transportation disruptions

Due to the perishable and premium nature of AAA Heidelberg Inc.'s products, AAA Heidelberg Inc. will depend on fast and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of AAA Heidelberg Inc. and the Company post transaction. Rising costs associated with the courier services used by AAA Heidelberg Inc. to ship its products may also adversely impact the business of AAA Heidelberg Inc. and its ability to operate profitably.

Unfavourable publicity or consumer perception

AAA Heidelberg Inc. believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy, and quality of the medical marijuana produced. Consumer perception of AAA Heidelberg Inc.'s products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention, and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention, or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for AAA Heidelberg Inc.'s products and the business, results of operations, financial condition and cash flows of AAA Heidelberg Inc. and the Company post transaction. AAA Heidelberg Inc.'s dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on AAA Heidelberg Inc. and the Company, the demand for AAA Heidelberg Inc.'s products, and the business, results of operations, financial condition and cash flows of AAA Heidelberg Inc. and the Company post transaction. Further, adverse publicity reports or other media attention regarding the safety, the efficacy, and quality of medical marijuana in general, or AAA Heidelberg Inc.'s products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse

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effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product liability

As a manufacturer and distributor of products designed to be ingested by humans, AAA Heidelberg Inc. faces an inherent risk of exposure to product liability claims, regulatory action, and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of AAA Heidelberg Inc.'s products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of AAA Heidelberg Inc.'s products or in combination with other medications or substances could occur. AAA Heidelberg Inc. and the Company may be subject to various product liability claims, including, among others, that AAA Heidelberg Inc.'s products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against AAA Heidelberg Inc. could result in increased costs, could adversely affect AAA Heidelberg Inc.'s reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of AAA Heidelberg Inc. and the Company post transaction. There can be no assurances that AAA Heidelberg Inc. will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of AAA Heidelberg Inc.'s potential products.

Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of AAA Heidelberg Inc.'s products are recalled due to an alleged product defect or for any other reason, AAA Heidelberg Inc. could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. AAA Heidelberg Inc. may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although AAA Heidelberg Inc. has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of AAA Heidelberg Inc.'s significant brands were subject to recall, the image of that brand and AAA Heidelberg Inc. could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for AAA Heidelberg Inc.'s products and could have a material adverse effect on the results of operations and financial condition of AAA Heidelberg Inc. and the Company post transaction. Additionally, product recalls may lead to increased scrutiny of AAA Heidelberg Inc.'s operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Reliance on key inputs

AAA Heidelberg Inc.'s business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of AAA Heidelberg Inc. and the Company post transaction. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, AAA Heidelberg Inc. might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to AAA Heidelberg Inc. in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of AAA Heidelberg Inc. and the Company post transaction.

PUF VENTURES INC.**Management's Discussion and Analysis
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For the Six Months Ended June 30, 2017***Dependence on suppliers and skilled labour***

The ability of AAA Heidelberg Inc. to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that AAA Heidelberg Inc. will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by AAA Heidelberg Inc.'s capital expenditure program may be significantly greater than anticipated by AAA Heidelberg Inc.'s management, and may be greater than funds available to AAA Heidelberg Inc., in which circumstance AAA Heidelberg Inc. may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of AAA Heidelberg Inc.

Difficulty to forecast

AAA Heidelberg Inc. must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, and financial condition of AAA Heidelberg Inc. and the Company post transaction.

Operating risk and insurance coverage

AAA Heidelberg Inc. has insurance to protect its assets, operations, and employees. While AAA Heidelberg Inc. believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which AAA Heidelberg Inc. is exposed. In addition, no assurance can be given that such insurance will be adequate to cover AAA Heidelberg Inc.'s liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If AAA Heidelberg Inc. were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if AAA Heidelberg Inc. were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations, and financial condition could be materially adversely affected.

Exchange restrictions on business

As part of its conditional approval, the Exchange requires that as a condition to listing the Company deliver an undertaking confirming that, while listed on the Exchange, the Company post transaction will only conduct the business of production, acquisition, sale and distribution of medical marijuana in Canada as permitted under the Health Canada License. This undertaking could have an adverse effect on the Company post transaction's ability to export marijuana from Canada and on its ability to expand its business into other areas including the provision of non-medical marijuana in the event that the laws were to change to permit such sales and the Company post transaction is still listed on the Exchange and still subject to such undertaking at the time. This undertaking may prevent the Company post transaction from expanding into new areas of business when the Company post transaction's competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition, and results of operations of the Company post transaction.

Management of growth

AAA Heidelberg Inc. may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of AAA Heidelberg Inc. to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train, and manage its employee base. The inability of AAA Heidelberg Inc. to deal with this growth may have a material adverse effect on AAA Heidelberg Inc.'s business, financial condition, results of operations and prospects.

Conflicts of interest

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Certain of the directors and officers of AAA Heidelberg Inc. and the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of AAA Heidelberg Inc. and the Company and as officers and directors of such other companies.

Litigation

AAA Heidelberg Inc. may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which AAA Heidelberg Inc. becomes involved be determined against AAA Heidelberg Inc. such a decision could adversely affect its ability to continue operating and the market price for the Company post transaction common shares and could use significant Company resources. Even if AAA Heidelberg Inc. is involved in litigation and wins, litigation can redirect significant company resources.

The market price of the Company's post transaction's common shares may be subject to wide price fluctuations.

The market price of the Company post transaction's common shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company post transaction and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company post transaction and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Company's post transaction control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, as well as general economic and political conditions which could adversely affect the market price of the Company's post transaction common shares.

Dividends

The Company pre or post transaction has no earnings or dividend record, and does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Environmental and employee health and safety regulations

AAA Heidelberg Inc.'s operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. AAA Heidelberg Inc. will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to AAA Heidelberg Inc.'s operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations, and financial condition of AAA Heidelberg Inc. and the Company post transaction.

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Revenue	Loss for the period	Loss per Share (Basic & Diluted)
March 31, 2015	\$ -	\$ (98,016)	\$ (0.00)
June 30, 2015	\$ -	\$ (532,814)	\$ (0.04)
September 30, 2015	\$ -	\$ (236,320)	\$ (0.04)

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December 31, 2015	\$ -	\$ (579,250)	\$ (0.04)
March 31, 2016	\$ 138,850	\$ (80,257)	\$(0.00)
June 30, 2016	\$ -	\$ (69,431)	\$ (0.01)
September 30, 2016	\$ -	\$ (541,830)	\$ (0.02)
December 31, 2016	\$ -	\$ (1,349,808)	\$ (0.04)
March 31, 2017	\$ -	\$ (469,295)	\$ (0.01)
June 30, 2017	\$ -	\$ (241,982)	\$ (0.01)

RESULTS OF OPERATIONS

The Company's loss for the six months ended June 30, 2017 was \$711,277 compared to a loss of \$149,688 for the six months ended June 30, 2016. The significant changes in the current period was share-based compensation of \$215,332 compared to \$2,634, this was a non-cash expense and was the result of stock options granted during the period. Development costs of \$35,000 were incurred on the development of a new vaporizer technology. Another increase in expenses during the current period was an increase in consulting and management fees from \$156,677 during the period ended June 30, 2016 to \$290,563 for the six months ended June 30, 2017. The increase in consulting and management fees was a result of the Company hiring various consultants to assist the planning of the expansion of the marijuana business, the exploration business as well as assisting with other business and financing needs of the Company.

LIQUIDITY

The Company's cash on hand increased to \$1,893,715 at June 30, 2017 from \$496,746 at December 31, 2016.

The Company had working capital of \$1,797,754 at June 30, 2017 compared to a working capital deficiency of \$295,970 at December 31, 2016. As of the date of this MD&A, the Company has sufficient working capital to meet its ongoing financial obligations for the coming year.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements to which the Company is committed.

COMMITMENTS

The Company had no commitments at June 30, 2017 or the date of this report.

CONTINGENT LIABILITY

On May 18, 2011, the Company received an order granted by a court in Lima, Peru indicating that the Company is responsible for a debt of US\$209,403 incurred by a former subsidiary of the Company. The Company did not receive notice of the Peruvian legal proceedings and is seeking advice concerning an application to set aside the order. The Company retained Peruvian legal counsel who advised that the Company is not responsible for this obligation.

The most recent contact from Peru indicates that the order has been dropped but the Company has not received formal notice of such release. No amounts have been recorded in the Company's books and records regarding this issue.

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RELATED PARTY TRANSACTIONS

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the three months ended June 30, 2017 and the year ended December 31, 2016:

Three months ended June 30, 2017				
Consulting				
Cherry Consulting Ltd		\$	8,450	
Elben Capital Inc.			36,000	
Jerry Habuda			7,500	
Joseph Perino			7,500	
		\$	59,450	
Year ended December 31, 2016				
	Accounting	Consulting	Rent	Share-based Compensation
Christopher Hornung	\$ -	\$ -	\$ -	\$ 15,900
Paradigm Shift	-	17,675	-	-
Cherry Consulting Ltd	-	22,849	-	15,900
Elben Capital Inc.	-	83,000	-	-
Derek Ivany	-	25,000	-	63,598
Foremost Management Services Inc.	-	-	5,500	-
Jerry Habuda	-	7,500	-	15,900
Joseph Perino	-	7,500	-	15,900
	\$ -	163,524	\$ 5,500	\$ 127,196

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand.

CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The carrying values of cash, amounts receivable, advances to related parties, loans receivable, accounts payable and accrued liabilities, and advances from related parties approximate their carrying values due to the immediate or short-term nature of these instruments.

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either

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directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

The loans receivable expose the Company to credit risk and the Company has limited this exposure by securing one of the loans with collateral; and the other loan is unsecured.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at June 30, 2017 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and current financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. At March 31, 2017, the Company was not affected by interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company is exposed to foreign currency risk with respect to its US subsidiary operations.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk. The Company's sensitivity analysis suggests that a 5% change in the absolute rate of exchange for US dollars would significantly affect its cash position at this time.

PUF VENTURES INC.**Management's Discussion and Analysis
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For the Six Months Ended June 30, 2017***Capital risk management***

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, reserves, and deficit. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, AAA Heidelberg Inc. receiving a MMPR license from Health Canada, the sale of the Company's e-cigarettes, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

OTHER RISKS AND UNCERTAINTIES

The Company is an exploration stage company with respect to its mineral interests. Based on the information available to date, the Company has not yet determined whether its mineral interests contain economically recoverable reserves. The recoverability of the amounts shown for mineral interests is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development, and upon future profitable production.

In conducting its business, the Company is subject to a number of other risks and uncertainties that could have a material adverse effect on the Company's business prospects or financial condition that could result in a delay or indefinite postponement in the development of the Company's mineral interests.

Risks associated with exploration stage companies

Exploring for mineral resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company has not commenced commercial operations and has no proven history of performance, earnings, or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan. The Company's Common Shares must be considered speculative primarily due to the nature of the Company's business and early stage of development. The Company has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions, and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sale of its equity or debt securities to raise capital. There can be no assurance that financing, whether equity or debt, will be available to the Company in the amount required by the Company at any particular time or for any period, and that such financing can be obtained on terms satisfactory to the Company.

Exploration and development

At this time, the Company's primary mineral property is in the exploration stage and the Company does not have an operating history with respect to its exploration activities. Exploration and development of mineral resources involves a high degree of risk and few properties which are explored are ultimately developed into producing properties. The amounts attributed to the Company's interest in its properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs which may be affected by a number of factors such as unusual or unexpected geological formations, and other conditions.

Property title

Although the Company believes it has exercised commercially reasonable due diligence with respect to

PUF VENTURES INC.**Management's Discussion and Analysis
(Expressed in Canadian Dollars)**

For the Six Months Ended June 30, 2017

determining title to properties it owns, controls, or has the right to acquire by option, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral interests may be subject to prior unrecorded agreements or transfers or native land claims, and title may be affected by undetected defects. There may be valid challenges to the title of the Company's mineral interests which, if successful, could impair development and operations. This situation may be exacerbated due to the large number of title transfers historically involved with some properties.

Licenses and permits

The Company will require licenses and permits from various governmental authorities regarding the Company's mineral interests. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, and mining operations for its mineral interests. Failure to obtain and maintain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration and development work which may result in its losing its interest in the subject property.

Competition

The mining industry is intensely competitive and the Company must compete in all aspects of its operations with a substantial number of other corporations which have greater technical and financial resources. The Company may be unable to acquire additional attractive mining properties on terms it considers acceptable.

Operating hazards and risks

Fires, power outages, labour disputes, flooding explosions, cave-ins, landslides, and the inability to obtain suitable or adequate machinery, equipment, or labour are some of the risks involved in exploration programs. Unknowns with respect to geological structures and other conditions are involved. Existing and future environmental laws may cause additional expense and delays in the activities of the Company, and may render the Company's properties uneconomic. The Company has no liability insurance and the Company may become subject to liability for pollution, cave-ins, or hazards against which it cannot insure, or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect of the Company's financial position.

Profitability of operations

The Company does not have profitable operations at this time and it should be anticipated that it will operate at a loss until such time as production is achieved from its properties, if production is in fact ever achieved. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

Foreign currency risk

The Company's mineral properties are located in Canada; accordingly, future changes in exchange rates do not affect the viability of exploring and development these mineral properties at this time.

Market risks

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. Mineral prices have fluctuated widely in recent years.

The marketability and price of minerals which may be produced or acquired by the Company will be affected by numerous factors beyond the control of the Company. These factors include delivery uncertainties related to the proximity of its reserves to processing facilities, and extensive government regulation relating to price, taxes, royalties, allowable production land tenure, the import and export of minerals, and many other aspects of the mining business. Declines in mineral prices may have a negative effect of the Company.

Future financings to further exploration programs

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If the Company's exploration programs are successful, additional funds will be required for further exploration and development to place a property into commercial production. The Company's available sources of funds are: existing cash; the further sale of equity capital; and the offering by the Company of an interest in its properties to be earned by another party or parties carrying out further exploration or development thereof. There is no assurance such sources will continue to be available on favourable terms or at all. If available, future equity financings may result in dilution to current shareholders.

Going concern

The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its on-going commitments and further its mineral exploration programs.

ADDITIONAL SHARE INFORMATION

As at June 30, 2017, the Company had 43,530,958 common shares outstanding. The Company also had 17,161,570 warrants with an exercise price of \$0.10 - \$0.30 and expiry date to March 10, 2019; 2,012,500 stock options with exercise prices ranging from \$0.05 to \$0.875 and expiring at various dates to September 22, 2022.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on the SEDAR at www.sedar.com.

**APPENDIX I -
UNAUDITED FINANCIAL STATEMENTS
PREPARED BY MANAGEMENT OF
WEED POINTS LOYALTY INC.
FOR THE PERIOD ENDED DECEMBER 31, 2016**

WEED POINTS LOYALTY INC.
(formerly Vapetronix Holdings Inc.)

Consolidated Financial Statements
Year Ended December 31, 2016

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

Notice to Reader

Under National Instrument 51-102, Part 4.3(3)(a), if an auditor has not performed an audit and/or review of the consolidated financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been audited or reviewed by an auditor.

The accompanying unaudited consolidated financial statements of Weed Points Loyalty Inc., for the year ended December 31, 2016 have been prepared in accordance with International Financial Reporting Standards. These consolidated financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these consolidated financial statements.

WEED POINTS LOYALTY INC.
(formerly Vapetronix Holdings Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Notes	December 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash		\$ -	\$ 10,321
Inventory – finished goods		-	23,396
Prepays		-	10,500
		-	44,217
Intellectual property	4	-	17,655
TOTAL ASSETS		\$ -	\$ 61,872
LIABILITIES			
Current liabilities			
Trade payables		\$ 223,464	\$ 1,721
Due to PUF Ventures		129,662	129,662
TOTAL CURRENT LIABILITIES		353,126	131,383
SHAREHOLDERS' EQUITY			
Share capital	5	64,937	64,937
Deficit		(418,063)	(134,448)
TOTAL SHAREHOLDERS' EQUITY		(353,126)	(69,511)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ -	\$ 61,872

Nature and continuance of operations (Note 1)

Subsequent events (Note 17)

WEED POINTS LOYALTY INC.
(formerly Vapetronix Holdings Inc.)
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Notes	Years ended	
		December 31, 2016	December 31, 2015
Sales		\$ 138,850	\$ 9,008
Cost of goods sold		(137,232)	(10,970)
		1,618	(1,962)
Expenses			
Accounting and auditing	6	2,000	30
Amortization	4	4,798	767
Bad debts		-	1,989
Consulting	6	35,000	58,350
Development costs	4	210,000	-
Office and sundry		17,023	25,467
Website costs		2,712	-
Travel and business development		843	2,333
		(270,758)	(88,936)
Other items			
Write-off of source code	4	12,857	22,918
		(12,857)	(22,918)
Comprehensive loss for the year		\$ (283,615)	\$ (113,816)
Net loss per share – basic and diluted		\$ (0.04)	\$ (0.02)
Weighted average number of shares outstanding		7,000,000	7,000,000

WEED POINTS LOYALTY INC.
(formerly Vapetronix Holdings Inc.).
Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Share capital			
	Number of shares	Amount	Deficit	Total
Balance at December 31, 2014	7,000,000	\$ 64,937	\$ (20,632)	\$ 44,305
Comprehensive loss:				
Net and comprehensive loss	-	-	(113,816)	(113,816)
Balance at December 31, 2015	7,000,000	\$ 64,937	(134,448)	(69,511)
Comprehensive loss:				
Net and comprehensive loss for the year	-	-	(283,615)	(283,615)
Balance at December 31, 2016	7,000,000	\$ 64,937	\$ (418,063)	\$ (353,126)

See accompanying notes to the consolidated financial statements

WEED POINTS LOYALTY INC.
(formerly Vapetronix Holdings Inc.).
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Year ended	
	December 31, 2016	December 31, 2015
Operating activities		
Net loss for the year	\$ (283,615)	\$ (113,816)
Adjustments for:		
Depreciation and amortization	4,798	767
Bad debt	-	1,989
Write-off of intangible assets	12,857	22,918
Changes in non-cash working capital items:		
Prepays	10,500	(10,500)
Inventory	23,396	(23,396)
Accounts payable and accruals	232,064	132,359
Net cash flows used in operating activities	(10,321)	10,321
Change in cash	(10,321)	10,321
Cash, beginning	10,321	-
Cash, ending	\$ -	\$ 10,321

There were no non-cash transactions during the year ended December 31, 2016 and 2015.

1. NATURE AND CONTINUANCE OF OPERATIONS

Weed Points Loyalty Inc., formerly Vapetronix Holdings Inc., (the “Company”) was incorporated pursuant to the Canada Business Corporations Act on November 4, 2014 as Vapetronix Inc. under corporation number 907833-9. On June 23, 2017, Vapetronix Inc. continued from the federal jurisdiction to the jurisdiction of British Columbia and changed its name to Vapetronix Holdings Inc. On September 11, 2017, Vapetronix Holdings Inc. changed its name to Weed Points Loyalty Inc. and on September 14, 2017, was registered to do business as TechOneSixty.

On May 12, 2015, PUF Ventures Inc. acquired 100% of the Company.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Further discussion of liquidity risk has been disclosed in Note 8.

The Company generates minimal cash flow from operations and therefore relies upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the statement of financial position classifications used. These consolidated financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

The Company's corporate office is located at Suite 804, 750 Pender Street, Vancouver, British Columbia V6C 2T7.

2. BASIS OF PREPARATION

a) Basis of preparation

The consolidated financial statements of the Company comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The unaudited consolidated financial statements of the Company for year ended December 31, 2016 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on October 20, 2017.

2. BASIS OF PREPARATION (continued)

b) Basis of consolidation

A subsidiary is an entity the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. These consolidated financial statements include the accounts of the Company and its Canadian wholly-owned subsidiary, 1313 Wear Ltd., incorporated in British Columbia, Canada. Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

c) Presentation and functional currency

The functional currency of the parent company, is the Canadian dollar, which is also the presentation currency of the consolidated financial statements. The functional currency of the Company's Canadian subsidiary is also the Canadian dollar.

d) Significant accounting judgments and estimates

The preparation of these financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of these financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year: impairment of non-financial assets; and share-based compensation.

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its exploration and evaluation assets. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from exploration and evaluation assets and subject to different accounting treatment. As at December 31, 2016 and 2015, management had determined that no reclassification of exploration and evaluation assets was required.

2. BASIS OF PREPARATION (continued)

d) Significant accounting judgments and estimates (continued)

The allocation of the purchase price and subsequent costs between land and building required judgment. The allocation was determined using the latest property tax assessment.

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the annual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any derivative financial instruments.

i) Financial assets

The Company classifies its financial assets into categories at initial recognition, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

(a) Fair value through profit or loss

This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value, with changes in fair value recognized in profit or loss. Investments in marketable securities are classified as fair value through profit or loss.

(b) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company has classified cash, advances to related parties and loans receivable as loans and receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

i) Financial assets (continued)

(c) Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. The Company has not classified any financial assets as held-to-maturity investments.

(d) Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income or loss ("OCI"). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from OCI and recognized in profit or loss.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

ii) Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

(a) Fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value, with changes in fair value recognized in the statement of comprehensive loss. The Company has not classified any financial liabilities as fair value through profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

ii) Financial liabilities (continued)

(b) Other financial liabilities

This category includes all other financial liabilities which are recognized at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial instrument, or, where appropriate, a shorter period. The Company has classified accounts payable, and mortgage payable as other financial liabilities.

b) Equity accounted investments

Equity accounted investments are those entities in which the Company has significant influence, but does not have control over the financial and operating policies of the investees. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity. Joint arrangement entities are those over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Joint ventures are joint arrangements, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's share of earnings or losses less dividends since significant influence was acquired. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to \$nil and additional losses are not provided for unless the Company is committed to provide other financial support to the investee. The Company resumes accounting for its portion of income (loss) of the investment when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended.

Profits or losses resulting from transactions between the Company and its associates are eliminated to the extent of the interest in the associate. The Company determines at each reporting date whether there is objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary adjustments are made to bring the accounting policies of associates in line with those of the Company.

c) Cash

Cash in the statement of financial position are comprised of cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Intellectual Property

Intellectual property is measured at cost less accumulated amortization and accumulated impairment losses. The cost of intellectual property consists of the purchase price, and any costs directly attributable to bringing the asset into use. Subsequent expenditures on intellectual property are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit and loss as incurred.

Intellectual property is amortized over 4 years, on the straight line method.

e) Impairment

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss for the period.

f) Share capital

i) Common shares

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Share capital (continued)

ii) Non-monetary consideration

Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

g) Sales revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Sales revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involved with the goods, and the amount of revenue can be measured reliably. The transfer of risks and rewards occurs when the product is received by the customer.

h) Share-based payment transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where share options are granted to non-employees, fair value is measured at grant date at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

All share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for unused tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

j) Loss per share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

k) Segment reporting

The Company operates in two reportable segments: (i) the sale of e-cigarettes; and (ii) technology platform for cannabis commerce.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) New accounting standards and interpretations not yet adopted

The following accounting pronouncement has been released but has not yet been adopted by the Company:

i) IFRS 9 Financial Instruments

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 *Financial Instruments* (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is tentatively effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. INTELLECTUAL PROPERTY

The Company is a Canadian vaporizer and electronic cigarette company registered in the Province of Ontario. The Company, owns the exclusive rights to the "1313" electronic cigarette brand, a medicinal marijuana mobile application technology, and several research and development projects.

Balance, December 31, 2014	\$ 41,340
Impairment	(22,918)
Amortization for the year	(767)
Balance, December 31, 2015	17,655
Impairment	(12,857)
Amortization for the year	(4,798)
Net book value, December 31, 2016	\$ -

During the year ended December 31, 2016, the Company commenced the development on new vaporizer technology. The Company incurred development costs of \$210,000 during the year.

5. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value.

Issued:

As at December 31, 2016, and 2015, the Company has 7,000,000 common shares issued and outstanding.

There were no shares issued during the years ended December 31, 2016 and 2015.

b) Warrants outstanding

There were no warrants issued or outstanding during the years ended December 31, 2016 and 2015.

c) Stock options outstanding

There were no stock options issued or outstanding during the years ended December 31, 2016 and 2015.

6. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2016 included in development costs was \$10,000 of costs associated with a related party.

There were no related party transactions during the year ended December 31, 2015.

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand.

7. SEGMENTED INFORMATION

The Company operates in two reportable segments: (i) the sale of e-cigarettes; and (ii) technology platform for cannabis commerce.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, loans to related parties, loans receivable, accounts payable, and mortgage payable approximate their carrying values due to the immediate or short-term nature of these instruments.

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash is measured using level 1 inputs.

b) Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

The loans receivable expose the Company to credit risk and the Company has limited this exposure by securing one of the loans with collateral; and the other loan is unsecured.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at December 31, 2016 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Financial risk management (continued)

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates. The Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and current financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk. The Company's sensitivity analysis suggests that a 5% change in the absolute rate of exchange for US dollars would not significantly affect its cash position at this time.

(c) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, AAA H. receiving a MMPR license from Health Canada, the sale of the Company's e-cigarettes, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

9. EVENTS AFTER REPORTING PERIOD

Subsequent to December 31, 2016 the Company:

- a) completed a private placement of 15,041,000 common shares at \$0.05 per share for gross proceeds of \$752,050.
- b) granted 700,000 stock options exercisable at \$0.05 per share, for two years expiring September 19, 2019 to officers, consultants and directors.
- c) the Company entered into a statutory agreement under a plan of arrangement whereby the shareholders of PUF Ventures ("PUF") receive one share of the Company for each seven shares held in PUF.