



ANNUAL INFORMATION FORM

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

July 22, 2019

AGRAFLOA ORGANICS INTERNATIONAL INC.
ANNUAL INFORMATION FORM
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018
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GENERAL MATTERS

In this Annual Information Form (“AIF”), unless the context otherwise requires, the “Company” or “AgraFlora” refers to AgraFlora Organics International Inc. Unless otherwise indicated, information in the AIF is provided as of December 31, 2018.

This AIF applies to the business activities and operations of the Company for the year ended December 31, 2018, as updated to July 22, 2019. Unless otherwise indicated, the information in this AIF is given as of the date hereof.

Unless otherwise indicated, all references to “\$” in this AIF refer to Canadian dollars.

This AIF should be read in conjunction with the Company’s consolidated financial statements and management’s discussion and analysis for the year ended December 31, 2018. The financial statements and management’s discussion and analysis are available under the Company’s profile on SEDAR at www.sedar.com.

CAUTIONARY STATEMENT ON FORWARD LOOKING STATEMENTS

The information provided in this AIF, including information incorporated by reference, may contain “forward-looking statements” about the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to: the performance of AgraFlora’s business and operations; the receipt and/or maintenance by AgraFlora of required licenses and permits in a timely manner or at all; the intention to grow the business and operations of AgraFlora; the expected growth in the number of the people using medical and/or adult use of cannabis products; expectations of market size and growth; the competitive conditions and increasing competition of the industry; applicable laws, regulations and any amendments thereof; the competitive and business strategies of the Company; the completion of additional cultivation and production facilities; the general economic, financial market, regulatory and political conditions in which the Company operates; anti-money laundering laws and regulation; other governmental and environmental regulation; public opinion and perception of the cannabis industry; the enforceability of contracts; reliance on the expertise and judgment of senior management of the Company; proprietary intellectual property and potential infringement by third parties; the concentrated voting control of the Company by the Founders (as hereinafter defined) and the unpredictability caused by the capital structure of the Company; the management of growth; risks inherent in an agricultural business; risks relating to energy costs; risks associated to cannabis products manufactured for human consumption including potential product recalls; reliance on key inputs, suppliers and skilled labor; cybersecurity risks; ability and constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax and insurance related risks; risk of litigation; conflicts of interest; risks relating to certain remedies being limited and the difficulty of enforcement of judgments and effect service outside of Canada; risks related to future acquisitions or dispositions; sales by existing shareholders; limited research and data relating to cannabis; the medical benefits, viability, safety, efficacy and social acceptance of cannabis; the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and other risks described in this AIF and described from time to time in documents filed by the Company with Canadian securities regulatory authorities.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including, but not limited to, expectations and assumptions concerning: (i) receipt and/or maintenance of required licenses and third party consents; (ii) the success of the operations of the Company; and (iii) the completion of contemplated

acquisitions on their current terms and current contemplated timelines, and are based on estimates prepared by AgraFlora using data from publicly available governmental sources, as well as from market research and industry analysis, and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable.

However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While AgraFlora is not aware of any misstatement regarding any industry or government data presented herein, the current marijuana industry involves risks and uncertainties and are subject to change based on various factors. Although the Company believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks described above and other factors beyond AgraFlora's control, as more particularly described under the heading "*Risk Factors*" in this AIF. Consequently, all forward-looking statements made in this AIF are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to in this AIF should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on its behalf may issue. AgraFlora does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

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 December 31, 2018 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 AIF include, but are not limited to, information or statements concerning our expectations for satisfactory resolution of the Company's contingent liability and the Company's investment in AAA Heidelberg Inc. ("AAA Heidelberg"), Solaris Nutraceuticals Pty Ltd. (formerly PUF Ventures Australia PTY Ltd.) ("Solaris"), Natures Hemp Corp. ("Natures Hemp"), Propagation Services Canada Inc. ("PSC"), Pure Grow Medicinals S.A. ("Pure Grow"), Glow Life Technologies Ltd. ("Glow"), 11122347 Canada Corp. ("Dispensing Cap Technologies"), Potluck Potions and Edibles Corp. ("Potluck Potions"), 11353675 Canada Corp. ("Canabeer"), 11353705 Canada Corp. ("Canada Cannabis Therapeutics Company"), 11406426 Canada Corp. ("Colorado Science"), Trichome Cannabrands Inc. ("Trichome") and Canutra Naturals Ltd. ("Canutra").

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 but is not limited to, information regarding:

- the legislation, regulations and licensing related to the cultivation, production and sale of cannabis and hemp products by the Company's subsidiaries and other business interests;
- the potential time frame for the implementation of regulations with respect to the regulatory framework for ingestible cannabis, cannabis extracts and cannabis topical products;
- legislation to legalize and regulate medical or recreational cannabis or hemp (and the consumer products derived from each of the foregoing) internationally;
- the ability to enter and participate in international market opportunities;
- the success of the entities the Company acquires and the Company's collaborations;
- the market for the Company's current and proposed product offerings, as well as the Company's ability to capture market share;
- the benefits and applications of the Company's product offering and expected sales thereof;
- development of affiliated brands, product diversification and future corporate development;
- anticipated investment in and results of research and development;

- inventory and production capacity, including discussions of plans or potential for expansion of capacity at existing or new facilities;
- the implementation of the Acreage Arrangement, including the eventual closing of such; acquisition upon the occurrence or waiver of the Triggering Event;
- future expenditures, strategic investments and capital activities; and
- the competitive landscape in which the Company operates and the Company’s market expertise.

This list is not exhaustive of the factors that may affect the Company’s forward-looking information. These and other factors should be considered carefully, and readers should not place undue reliance on such forward-looking information. Investors should carefully consider the risks set out below under the heading “Risk Factors” as well as those contained in the management’s discussion and analysis for the year ended December 31, 2018.

GLOSSARY OF TERMS

“**2018 Farm Bill**” means the Agricultural Improvement Act of 2018;

“**ACMPR**” means the *Access to Cannabis for Medical Purposes Regulations (Canada) issued pursuant to the Controlled Drugs and Substances Act (Canada)*, repealed on October 17, 2018;

“**AAA Heidelberg**” means AAA Heidelberg Inc.;

“**AgraFlora**” means AgraFlora Organics International Inc.;

“**Canabeer**” means 11353675 Canada Corp.

“**Canada Cannabis Therapeutics Company**” means 11353705 Canada Corp

“**cannabis**” has the meaning given to such term in the *Cannabis Act*;

“**Cannabis Act**” means the *Cannabis Act*, S.C. 2018, c. 16, and its regulations;

“**cannabis oil**” has the meaning given to such term in the *Cannabis Act*;

“**Canutra**” means “Canutra Naturals Ltd.”

“**CBD**” means cannabidiol;

“**CBP**” means the United States Customs and Border Protection;

“**CDSA**” means the *Controlled Drugs and Substances Act (Canada)*;

“**Colorado Science**” means 11406426 Canada Corp.

“**Common Shares**” means the common shares in capital of AgraFlora;

“**Company**” means AgraFlora Organics International Inc. or AgraFlora;

“**CSA**” means the United States *Controlled Substances Act*;

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

“**DEA**” means the United States Drug Enforcement Agency;

“**Dispensing Cap Technologies**” means 11122347 Canada Corp.

“**FDA**” means the United States Food and Drug Administration;

“**FDCA**” means the *Food, Drug, and Cosmetic Act*;

“**forward looking statements**” has the meaning ascribed thereto under the heading “Forward Looking Information”;

“**GAAP**” means International Financial Reporting Standards as issued by the International Accounting Standards Board;

“**Key Personnel**” has the meaning ascribed thereto under the heading “Risk Factors”;

“**Licence**” means a licence issued under Section 62(1) of the *Cannabis Act* in relation to cannabis;

“**Licence Holder**” means a holder of a Licence issued under Section 62(1) of the *Cannabis Act* in relation to cannabis;

“**Minister**” means the Minister of Health;

“**MMPR**” means the *Marihuana for Medical Purposes Regulations (Canada)* issued pursuant to the *Controlled Drugs and Substances Act (Canada)*;

“**Natures Hemp**” means Natures Hemp Corp.;

“**NCR**” means the *Narcotic Control Regulations (Canada)*;

“**NI 51-102**” means National Instrument 51-102 – *Continuous Disclosure Obligations*;

“**PIPEDA**” means the *Personal Information Protection and Electronic Documents Act (Canada)*;

“**Potluck Potions**” means Potluck Potions and Edibles Corp.

“**PSC**” means Propagation Services Canada Inc.;

“**Pure Grow**” means Pure Grow Medicinals S.A.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval;

“**Stock Options**” has the meaning ascribed thereto in “Market for Securities - Stock Options”

“**Solaris**” means Solaris Nutraceuticals Pty Ltd. (formerly “PUF Ventures Australia PTY Ltd.”).

“**Trichome**” mean Trichome Cannabrands Inc.

“**True Focus**” means 1205293 B.C. Ltd.

1.1 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. On November 14, 2018, the Company changed its name from PUF Ventures Inc. to Agraflora Organics International Inc. as well as completed a five for-one stock split of the issued and outstanding shares.

The Company’s head office and registered and records office is located at Suite 804 - 750 West Pender Street, Vancouver, British Columbia, Canada, V6C 2T7. AgraFlora’s corporate website is <https://agraflora.com>. The information contained on the Company’s website is not incorporated by reference into this AIF.

The Company trades on the CSE under the symbol “AGRA”. The Company also trades on the OTC Pink Sheets (“OTCPK”) under the symbol “PUFXF” and the Frankfurt Stock Exchange under the symbol “PU3”.

Intercorporate Relations

The following chart illustrates, as at the date of this AIF, the Company’s material subsidiaries, the percentage of voting securities of each that are held by AgraFlora either directly or indirectly, and their respective jurisdictions of incorporation, continuance, formation or organization.

Subsidiary Name	Ownership by AgraFlora	Jurisdiction of Incorporation
AAA Heidelberg Inc.	100%	Ontario
Pure Grow Medicinals S.A.*	100%	Columbia
Glow Lifetech Ltd.	20%	Ontario
Solaris Nutraceuticals Pty Ltd.	35%	Australia
Propagation Services Canada Inc.	70%	British Columbia

Subsidiary Name	Ownership by AgraFlora	Jurisdiction of Incorporation
11122347 Canada Corp.	80%	Canada
Potluck Potions and Edibles Corp.	80%	Canada
11353675 Canada Corp.	80%	Canada
11353705 Canada Corp.	80%	Canada
11406426 Canada Corp.	80%	Canada
1210391 BC Ltd.	100%	British Columbia
Trichome Cannabrands Inc.	100%	Ontario
Canutra Naturals Ltd.	100%	British Columbia

*The Company operates in the jurisdictions of Canada and Columbia.

GENERAL DEVELOPMENT OF THE BUSINESS

1.2 THREE YEAR HISTORY

Year Ended December 31, 2016

On January 14, 2016, the Company announced that Vapetronix Holdings Inc. (“VapeTronix”), a wholly owned subsidiary of the Company, unveiled Phase 1 of its online interactive social and search platform “WEEDbeacon” targeting the medicinal and, where allowable by law, recreational marijuana markets. The social launch of WEEDbeacon.com acts as a search portal and informational resource for industry participants such as: vendors, bricks and mortar shop owners, dispensaries, delivery services and hobbyist/enthusiasts. WEEDbeacon.com aims to provide users with a data rich yet easy to navigate resource for product sourcing, review and on-line purchase.

On January 19, 2016, the Company announced the appointment of Christopher P. Cherry as CFO and as a director of the Company and the resignation of Tracey St. Denis as CFO of the Company. Additionally, the Company announced that Wolrige Mahon LLP, Chartered Professional Accountants (the “Former Auditor”) of the Company resigned, at the request of the Company, as auditors of the Company, and the board of directors has appointed Dale Matheson Carr-Hilton Labonte (the “Successor Auditor”) of Vancouver, British Columbia, as auditors for the Company.

On February 3, 2016, the Company announced the resignation of Ian Foreman as a director of the Company.

On February 24, 2016, the Company announced that its OTCPK trading symbol had been changed from CHLMF to PUFXF to better reflect the recent name change.

On April 8, 2016, the Company announced that due to prevailing market conditions and the depreciation of the Canadian dollar, the Company has made a strategic decision to dispose of its sole Washington State asset held in its subsidiary PacCan Real Estate Holdings Corp. (“PacCan”). The Company had a mortgage provided by a third party lender on the property in the amount of \$1,080,000 USD which was non-recourse and fully severable. PacCan assigned the property to the lender and which was not in default of any obligation.

On April 19, 2016, the Company announced that Mr. Derek Ivany was appointed as CEO and as a Director of the Company.

On May 6, 2016, the Company announced that Mr. Yari Nieken vacated his seat as a Director of the Company and that Mr. Jerry Habuda was appointed as a Director of the Company to fill in such vacancy.

On June 15, 2016, the Company announced that it had received an updated response from Health Canada with regards to its MMPR application for AAA Heidelberg. Health Canada informed the Company that its MMPR application was in position 39 in mid-May and subsequent to that update, the Company was further notified that it has been read and that the Company was in position 35.

On June 23, 2016, the Company announced that it was proceeding with a share consolidation, on the basis of one (1) new Common Share for every four (4) old Common Shares held (the “Consolidation”). The Consolidation was approved by the board of directors of the Company on June 20, 2016. As a result of the Consolidation, the 75,767,574 Common Shares which were issued and outstanding on June 23, 2016 would be reduced to 18,941,894

Common Shares. Each fractional Common Share equal to or greater than 0.5 Common Shares would be rounded up to the nearest whole Common Share and each fractional Common Share less than 0.5 Common Shares would be rounded down to the nearest whole Common Share.

On June 30, 2016, the Company announced that it had completed the previously announced Consolidation.

On July 4, 2016, the Company announced that it proposed to raise up to \$200,000 through a non-brokered private placement of up to 4,000,000 units (“Units”) at price of \$0.05 per Unit. Each Unit would consist of one Common Share and one transferable Common Share purchase warrant, with each warrant entitling the holder to acquire one additional common Share of the Company at a price of \$0.075 per Common Share for two years from the date of issuance. Finder’s fees would be payable in cash and warrants in accordance with the policies of the CSE. Proceeds of the private placement were to be used for completion of its AAA Heidelberg MMPR license application, expansion of the VapeTronix 1313 brand of electronic cigarettes and associated technologies, and for general working capital.

On July 13, 2016, the Company announced that it was securing a new private mortgage group to replace the Company’s existing lender. The Company announced plans to issue up to 2,300,000 Common Shares at a deemed value of \$0.05 per Common Share in conjunction with the transaction whereby the Company would make a full year of interest-only payments in advance. Additional fees and closing costs would also be paid in Common Shares in the capital of the Company making this an all-stock transaction, subject to the approval of the CSE. For completion of the transaction, the Company would need to increase the current financing by up to an additional \$115,000.

On July 18, 2016, the Company announced that further to its news release of June 15, 2016, the Company was upgraded from position 35 to position 28 in respect of its Health Canada MMPR application for AAA Heidelberg.

On July 20, 2016, the Company announced the appointment of Mr. Joseph Perino as the first member of the Company’s Advisory Board.

On August 2, 2016, the Company announced that, in order to capitalize on the recent surging demand for Lithium, it acquired a 100% interest in certain mineral claims (the “Claims”) located in Quebec, Canada, known as the Lac Saint Simon Lithium Property (the “Lithium Property”) pursuant to a mineral property acquisition agreement with Thomas Clarke (the “Vendor”), an individual who is the beneficial owner of the Claims.

On August 17, 2016, the Company announced that it had completed the previously announced non-brokered private placement and issued 4,062,000 Units issued at a price of \$0.05 per unit, raising gross proceeds of \$203,100. Each Unit consisted of one Common Share and one transferable Common Share purchase warrant, each warrant entitling the holder to acquire one additional Common Share of the Company at a price of \$0.075 per Common Share for two years from the date of issuance. The Company paid finder’s fees of 6% cash and 6% finder’s warrants to Echelon Wealth Partners Inc., and 2063843 Ontario Limited, 1.5% cash and 8% finder’s warrants to PI Financial Corp. and 6% finder’s warrants to Clairewood Partners Inc. The finder’s warrants were issued on the same terms as the Unit warrants. The net proceeds of the private placement would be used for completion of the Company’s AAA Heidelberg MMPR license application, expansion of the VapeTronix 1313 brand of electronic cigarettes and associated technologies, and for general working capital.

On August 19, 2016, the Company announced that, further to its news release of July 13, 2016, it had issued a total of 1,890,880 Common Shares 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, pursuant to the securing of a new private mortgage group that replaced the Company’s existing lender. Additionally, the Company announces that it has completed debt settlements whereby the Company issued a total of 1,174,200 Common Shares at a deemed value of \$0.05 per Common Share to certain creditors for past consulting and other services provided to the Company totaling approximately \$58,710. The total debt amount was \$173,514 with the issuance of a total of 3,470,260 Common Shares of the Company.

On August 22, 2016, the Company announced that further to its news release of July 18, 2016, the Company was upgraded from position 28 to position 20 in respect of its Health Canada MMPR application for AAA Heidelberg.

On September 22, 2016, the Company announced that it had granted incentive stock options to purchase a total of 1,400,000 Common Shares at an exercise price of \$0.18 per Common Share for a period of two years to its directors, officers and consultants in accordance with the provisions of its stock option plan.

On September 23, 2016, the Company announced the appointment of Mr. Joseph Perino as a director of the Company and Brent Raymond Wickens as a member of the Company’s Advisory Board. To facilitate the changes, Joseph Perino stepped down as a member of the Company’s Advisory Board and Christopher P. Cherry stepped down as a director of Company but remained as CFO of the Company.

On October 18, 2016, the Company announced that further to its news release of August 22, 2016, the Company had been upgraded from position 20 to position 17 in respect of its Health Canada MMPR application for AAA Heidelberg.

On November 4, 2016, the Company announced that it had completed a non-brokered private placement of 1,545,000 Units issued at a price of \$0.20 per Unit, raising gross proceeds of \$309,000. Each Unit consisted of one Common Share and one transferable Common Share purchase warrant, each warrant entitling the holder to acquire one additional Common Share of the Company at a price of \$0.25 per Common Share for two years from the date of issuance. In addition, the Company also closed a non-brokered private placement of 260,000 flow-through Common Shares at a price of \$0.25 per flow-through Common Share raising additional gross proceeds of \$65,000 for total gross proceeds of \$374,000. The Company paid finder's fees of 6% cash and 6% finder's warrants to Echelon Wealth Partners Inc., Creekside Capital Corp. and 9956565 Canada Ltd. The finder's warrants were issued on the same terms as the Unit warrants. The net proceeds of the private placement would be used for completion of the Company's AAA Heidelberg MMPR license application, expansion of the VapeTronix 1313 brand of electronic cigarettes and associated technologies, and for general working capital.

On November 16, 2016, the Company announced that it had initiated plans for a first phase work program on its wholly owned Lithium Property. The Company funded the program using the proceeds raised from the flow-through financing that closed on November 4, 2016.

On November 29, 2016, the Company announced that further to its news release of October 18, 2016, the Company received notice from Health Canada that it had been upgraded from position 17 to position 14 in respect of its ACMPR application (previously the Health Canada MMPR application) for AAA Heidelberg.

The Company's cash on hand at December 31, 2016 was \$496,746 (2015 - \$123,264). The Company had working capital of \$295,970 at December 31, 2016 (2015 - deficiency of \$1,202,382).

The Company's loss for the year ended December 31, 2016 was \$2,041,725 (2015 - \$1,446,400). Share-based compensation for the year ended December 31, 2016 was \$249,164 (2015 - \$318,437). Investor communications for the year ended December 31, 2017 was \$47,712 (2015 - \$7,686). Legal and compliance expenses during the year ended December 31, 2016 was \$43,320 (2015- \$47,155).

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand. At December 31, 2016, \$Nil (2015 - \$84,255) was owing to related parties.

Year Ended December 31, 2017

On January 12, 2017, the Company announced that it had entered into a confidentiality agreement and had commenced discussions with a publicly traded natural resource company regarding a potential sale of its wholly owned lithium asset, the Lithium Property located in northern Quebec. The potential strategic disposition of the Lithium Property would repatriate value for the Company's shareholders and would also streamline operational focus, positioning the Company as a pure play Bio Medical Cannabis company. Following the private placement that closed in August of 2016, the Company allocated a flow-through budget towards a preliminary reconnaissance exploration program on the Lithium Property. Qualifying expenditures have added value to the Lithium Property and included construction of both a small-scale work camp and an access trail to the camp from Quebec's James Bay Highway.

On January 31, 2017, the Company announced the appointment of Mr. Peter Karroll to the position of Director of Branding and Marketing.

On March 10, 2017, the Company issued 38,282,500 Units at a price of \$0.05 per Unit, for gross proceeds of \$1,914,125. Each Unit consisted 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 \$0.08 per Common share. Finders' fees were paid in the amount of \$79,643 cash and 1,496,850 finders' warrants were issued on the same terms as the Unit warrants. The Company also announced the appointment of Mr. Tim McNulty as senior investor relations advisor to the Company.

On March 13, 2017, the Company announced that it had completed a non-brokered private placement of 7,656,500 Units issued at a price of \$0.25 per Unit, raising gross proceeds of \$1,914,125. Each Unit consisted of one Common Share and one transferable 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 finder's fees of 6% cash and 6% finder's warrants to Echelon Wealth Partners Inc. and Fairwater Consulting Limited. The finder's warrants were issued on the same terms as the Unit warrants. The net

proceeds of the private placement will be used for completion of the Company's AAA Heidelberg ACMPR license application, expansion of the VapeTronix portfolio and associated technologies, and for general working capital.

On May 8, 2017, the Company announced that it had issued 500,003 Common Shares at a deemed price of \$0.40 per Common Share to the shareholders of AAA Heidelberg pursuant to the share exchange agreement with the Company, AAA Heidelberg and the shareholders of AAA Heidelberg dated for reference January 26, 2015. As result of this share issuance, the number of issued and outstanding shares of the Company increased from 41,908,455 to 42,408,458. Pursuant to the agreement, upon the issuance of these shares by the Company, the shareholders of AAA Heidelberg transferred an additional 9.1% interest in AAA Heidelberg to the Company. This transfer resulted in the Company owning a total of approximately 54.49% of AAA Heidelberg.

On May 9, 2017, the Company announced that it had elected to undertake its option for early termination of the third party mortgage debt in relation to the real property associated with the AAA Heidelberg ACMPR applicant facility in London, Ontario. The principal mortgage balance was paid in full thus resulting in the property being wholly owned by AAA Heidelberg.

On June 1, 2017, the Company announced that it had signed an exclusive joint venture agreement (the "Canopy JV") with Canopy Growth Corporation ("Canopy Growth") and joined CraftGrow, a collection of high quality cannabis grown by a select and diverse set of producers, made available through Tweedmainstreet.com. Canopy Growth is Canada's preeminent cannabis company focused on diverse brands and award-winning customer service. The Canopy JV would accelerate the timeline for the Company to be an actual cannabis producer selling its product to the medical market place under the ACMPR.

On June 5, 2017, the Company announced that it had sold its wholly owned mineral asset, the Lithium Property located in west-central Quebec, to a publicly traded resource company, Volt Energy Corp (TSXV: VOLT) ("Volt"), as previously announced on January 12, 2017. In consideration for the sale of 100% of the asset, the Company was granted 2.5 million common shares of Volt. The strategic disposition of the Property repatriated value for the Company's shareholders and also streamlined the Company's operational focus, positioning the Company as a pure-play bio medical cannabis company.

On June 6, 2017, the Company announced that further to its news release of November 29, 2016, the Company received notice from Health Canada that it had upgraded from position 14 to position 8 with respect to its ACMPR application for majority owned AAA Heidelberg.

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 is initially focused on 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.

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%. At that time the Company would 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 Canopy JV as a member of its exclusive CraftGrow program.

By an agreement dated July 12, 2017, as modified by agreements dated October 16, 2017 and October 30, 2017, the Company acquired a 35% interest in a newly formed Australian company, Solaris. To acquire its interest, the Company paid \$257,795 (US\$200,000) to Solaris. The investment was accounted for as an equity interest. Under equity accounting, the Company's share of Solaris' loss for the year ended December 31, 2017 totaled \$76,428.

On September 7, 2017, the Company entered into a plan of arrangement with Cannvas Medtech Inc. ("Cannvas") whereby the Company distributed 100% of Cannvas' shares to the Company's shareholders on a pro rata basis. The Company's shareholders were entitled to receive one share of Cannvas in exchange for every seven Company shares held as at the record date. Following completion of the arrangement, (i) Cannvas held certain assets transferred to it by the Company, (ii) Cannvas became a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, and intends to apply for and meet the listing requirements on a Canadian Stock Exchange, (iii) each of the Company's shareholders will continue to be shareholders of the Company, and (iv) all of the Company's shareholders as at the record date became shareholders of Cannvas.

On September 7, 2017, the Company announced that it intended to spin out its Weedbeacon proprietary technology, current app developments, databases, graphics, brochures and other marketing materials and liabilities (the "Assets")

into its wholly-owned subsidiary, Vapetronix by way of a plan of arrangement. The purpose of the arrangement was to allow the Company to divest itself of the Assets to Vapetronix, enabling the Company to focus on the grow side of medical cannabis with a particular emphasis to growing cannabis for its Canopy JV, under CraftGrow. The arrangement was subject to the approval of the Supreme Court of British Columbia, as well as approval by the Company's shareholders at an annual general and special meeting to be held on Friday, November 24, 2017. Pursuant to the arrangement, the Company would distribute 100% of the common shares of Vapetronix (the "Vapetronix Shares") it receives to the Company shareholders on a pro rata basis. The Company shareholders would be entitled to receive one Vapetronix Share in exchange for every seven (7) Common Shares of the Company held as at October 4, 2017. There would be no change in shareholders' holdings in the Company as a result of the arrangement. No outstanding warrants or options of the Company will be transferred over to Vapetronix. Following completion of the arrangement, (i) Vapetronix would hold the Assets transferred to it by the Company, (ii) Vapetronix will become a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, and intends to list for trading on the CSE, (iii) each Company shareholder will continue to be a the Company shareholder, (iv) all the Company shareholders will have become shareholders of Vapetronix, and (v) the Company would retain its working capital for its Assets, and remain listed on the CSE and would continue to trade with no change of its trading symbol, as a consumer products – biotechnology/pharmaceuticals company.

On September 7, 2017, the Company announces that further to its earlier news release, it wishes to clarify that, following completion of the plan of arrangement, the Company's wholly-owned subsidiary, Vapetronix intends to apply for listing on the CSE, and must meet the listing requirements of the CSE.

On September 12, 2017, the Company announced that further to the news releases on September 7, 2017, regarding the plan of arrangement with Vapetronix and subject to the approval by the Supreme Court of British Columbia and by the Company shareholders at the annual general and special meeting to be held on Friday, November 24, 2017, Vapetronix has filed the necessary documents changing the corporate name to Weed Points Loyalty Inc. ("Weed Points").

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 Solaris. The construction of the facility will be completed in stages at an estimated total cost of C\$50 million.

By an agreement dated October 11, 2017, the Company acquired a 100% interest in a newly formed private company, Natures Hemp from the CEO and director of the Company. To acquire its interest, the Company issued 6,000,000 Common Shares with a fair value of \$600,000 to the shareholders of Natures Hemp and realized a cost of acquisition of \$544,282.

On October 18, 2017, the Company announced that it had entered into a strategic partnership with MYM Nutraceuticals Inc. ("MYM") for the construction of a one million square foot greenhouse facility in northern New South Wales, Australia called the Northern Rivers Project. The Company will own 35% of the Northern Rivers Project, which, at full scale, will have the capacity to produce 100,000 kilograms of high quality cannabis per year, worth between C\$800 million and C\$1.1 billion (based on current pricing metrics in the Australian cannabis marketplace). 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 favorable terms after the fifth year. 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.

On October 20, 2017, Cannabis completed a private placement and the Company's interest in Cannabis was diluted to 32%. As a result, the Company ceased to consolidate Cannabis, realizing a gain of \$543,675, and commenced equity accounting. The Company determined the fair value of the initial equity investment to be \$nil, and as a result has not recognized any further equity interest in the losses of Cannabis to December 31, 2017.

On October 30, 2017, the Company entered into a loan agreement evidenced by a promissory note with MYM for US\$100,000 (\$129,950) (the "MYM Loan"). The loan bore interest at 10% per annum and commenced on December 1, 2017 and was unsecured and due on demand.

On November 14, 2017, the Company announced that Solaris had filed three applications with the Australian Office of Drug Control for the cultivation, production and manufacture of cannabis at the Northern Rivers Project, a proposed 1,200,000 square foot greenhouse and extraction facility in Richmond Valley Shire New South Wales,

Australia. The applications, if successful, would allow Solaris to take cannabis from seed to finished product. Solaris also announced that after further analysis, the greenhouse and extraction facility will be 1,200,000 square feet in area, 20% larger than first announced. The Northern Rivers Project is working with experts in Australasia and Canada in support of the application with the Australian government.

On November 27, 2017, the Company announced that shareholder approval was received at its annual general and special meeting held on November 24, 2017. All resolutions presented to the shareholders were approved in support of the plan of arrangement with Weed Points.

On November 30, 2017, the Company announced that the Supreme Court of British Columbia approved the arrangement agreement with Weed Points pursuant to an arrangement agreement and plan of arrangement. The Company is proceeding to complete the arrangement, which includes the issuance of common shares to the Company shareholders of record as of October 4, 2017, on the basis of one new share in Weed Points for every seven Company shares held on a pro rata basis. Weed Points will issue approximately 7,034,279 Weed Points Shares to the Company shareholders. The Arrangement included the transfer of the Company's assets, being the Weedbeacon proprietary technology, current app developments, databases, graphics, brochures and other marketing materials to Weed Points, enabling the Company to focus on medical marijuana with a particular emphasis to growing cannabis for its Canopy JV.

On December 4, 2017, the Company announced that Solaris had filed application with the Australian Office of Drug Control to obtain a medicinal cannabis license and a cannabis research license in collaboration with the National Institute of Complementary Medicine (NICM), an Australian Health Research Institute based at Western Sydney University in New South Wales (NSW), Australia. Solaris intends to conduct medical research with NICM's academic input at its proposed Northern Rivers Project, in a 10,000-square foot dedicated laboratory, training center and research facility. When complete the facility will include an extensive 1,200,000 square feet medicinal cannabis cultivation greenhouse and extraction plant, to be located near Casino, New South Wales. Solaris and MYM are partners in the Northern Rivers Project.

On December 21, 2017, the Company announced that Solaris applications for medicinal cannabis licenses for its Northern Rivers Project in New South Wales, Australia, for both cultivation and production, cannabis research license and manufacturing license had been accepted by the Office of Drug Control. The applications have now progressed to the assessment phase, all associated fees have been paid. The Company further announced that Solaris began operating under a new corporate name and will be known as Solaris Nutraceuticals Pty Ltd.

On December 29, 2017, the Company announced that it had granted incentive stock options to purchase a total of 2,500,000 Common Shares at an exercise price of \$1.33 per Common Share for a period of two years to its directors, officers and consultants in accordance with the provisions of its Stock Option plan.

During the year ended December 31, 2017, the Company received 625,000 common shares of Volt. on the sale of the Company's Lithium Property. The shares were initially valued at \$350,000. As at December 31, 2017, the shares had a fair value of \$312,500 and the Company recognized an unrealized loss of \$37,500 during 2017, and as at December 31, 2018, the shares had a fair value of \$21,875 and the Company has an unrealized loss of \$290,625 during 2018.

At December 31, 2017, AAA Heidelberg owed a total of \$509,621 in loans payable. These loans are unsecured, due on demand, and non-interest bearing. Included in this amount was \$52,500 owing to a director of AAA Heidelberg.

The Company's cash on hand at December 31, 2017 was \$3,791,249 (2016 - \$496,746). The Company had working capital of \$3,043,637 at December 31, 2017 (2016 - \$295,970).

The Company's loss for the year ended December 31, 2017 was \$2,119,601 (2016 - \$2,041,725). Share-based compensation for the year ended December 31, 2017 was \$934,159 (2016 - \$249,164). Investor communications for the year ended December 31, 2017 was \$372,836 (2016 - \$47,712). Legal and compliance expenses during the year ended December 31, 2017 was \$24,587 (2016- \$43,320).

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand. At December 31, 2017, \$87,400 (2016 - \$Nil) was owing to related parties for unpaid fees, of which \$34,900 included in accounts payable and accrued liabilities and \$52,500 included in loans payable.

Year Ended December 31, 2018

On January 16, 2018, the Company announced that it had completed the plan of arrangement with Cannabis as a result of completing the arrangement, Cannabis became a reporting issuer in the provinces of British Columbia,

Alberta and Ontario. Completion of the arrangement, as set forth in the arrangement agreement and plan of arrangement dated September 7, 2017, as amended on October 11, 2017, between the Company and Cannvas, was approved by the shareholders of the Company on November 24, 2017 and by a Final Order granted by the Supreme Court of British Columbia on November 30, 2017 in accordance with Part 9 of the Business Corporations Act (British Columbia). Pursuant to the arrangement agreement and on the effective date, the following occurred: (a) the Company distributed 100% of the common shares of Cannvas (the "Cannvas Shares") it received to the shareholders of the Company on a pro rata basis. company Shareholders received one Cannvas Share in exchange for every seven (7) Common Shares of the Company held as at the record date of October 4, 2017; (b) the Company transferred the assets to Cannvas; (c) Cannvas became a reporting issuer in the Provinces of British Columbia, Alberta and Ontario; and (d) the Company retained its working capital for its assets, remains listed on the CSE with no change to its trading symbol.

On February 15, 2018, the Company and its strategic partner MYM announced that Casino, New South Wales based Solaris, which is building the largest medical cannabis greenhouse in the southern hemisphere, was awarded a AUD\$2,500,000 regional jobs investment program grant, through Federal Department of Innovation, Industry & Science. Solaris is an innovative medical technology company headquartered in Sydney, Australia. Solaris is owned by the Company, MYM Chrome Holdings of Australia and private investors.

On February 20, 2018, the Company and its strategic partner MYM announced a joint venture agreement between Southern Cross University and Solaris to commit to the development of hemp and medicinal cannabis products in the NSW Northern Rivers region that will enhance animal and human health.

On March 29, 2018, the Company announced that it had granted incentive stock options to purchase a total of 3,325,000 Common Shares at an exercise price of \$0.84 per Common Share for a period of two years to its directors, officers and consultants in accordance with the provisions of its stock option plan. This news release superseded the news release dated December 29, 2017.

On April 4, 2018, the Company announced that it planned to spin out its wholly owned subsidiary Natures Hemp by way of a plan of arrangement. Pursuant to the proposed plan of arrangement, the shareholders of the Company are expected to receive shares in Natures Hemp. The Company plans to finalize the plan of arrangement and will announce full details within the next month. The plan of arrangement will have to be approved by the shareholders of the Company and the Supreme Court of British Columbia. Natures Hemp currently is a private issuer and will be raising additional capital to fund its operations.

On April 18, 2018, the Company provided an update regarding its spin out company Cannvas plan of arrangement which closed on January 16, 2018.

On April 23, 2018, the Company announced the appointment of Dr. Cezar Khursigara to its Advisory Board. The Advisory Board will oversee all areas related to the Company medical cannabis research and development initiatives. Furthermore, on April 26, 2018, the Company announced the appointment of Dr. Peter Tolia to its Advisory Board.

On May 4, 2018, the Company announced the formation of a wholly owned subsidiary Pure Grow in Colombia to pursue additional international opportunities in the cannabis industry.

On May 24, 2018, the Company announced that further to its news release of April 4, 2018, it had entered into an arrangement agreement dated May 18, 2018 with its subsidiary Natures Hemp whereby the Company will transfer the assets, being the business of development of cannabidiol extraction from seeds and other plant parts for the creation of high quality oils and flours, proprietary hemp base food and medicinal products into Natures Hemp by way of a plan of arrangement, and Natures Hemp will become a reporting issuer in the Provinces of British Columbia, Alberta and Ontario upon completion of the arrangement.

On June 29, 2018, the Company announced the formation of PSC which will provide "flower ready" starter plants to Cannabis Cultivators in Canada and internationally. PSC was jointly formed with the Company and Casey Houweling ("Houwelings"), a vegetable greenhouse grower with over 40 years of floral and vegetable propagation experience. Houwelings currently operates a largescale vegetable propagation business in a 20-hectare HA (2.2 million square feet) facility located in Delta, British Columbia (the "Delta Facility").

On July 5, 2018, the Company announced that it has engaged Cannabis Compliance Inc. ("CCI") on behalf of PSC to prepare the Delta Facility for cannabis propagation. CCI has more than 10 years' experience providing risk mitigation, due diligence and regulatory compliance to commercial cannabis producers and resellers worldwide.

On August 3, 2018, the Company provided an update pursuant to the information circular dated June 18, 2018 and the Natures Hemp special warrant financing to raise gross proceeds of up to \$5,000,000 at a price of \$0.25 per

special warrant (the "\$0.25 Financing"). The circular detailing the plan of arrangement indicated that Natures Hemp planned to complete the \$0.25 Financing on or before July 31, 2018. The \$0.25 Financing had yet been completed as at August 3, 2018. As at August 3, 2018, Natures Hemp had not issued any special warrants to insiders or non-insiders of the Company in addition to those special warrants described in the circular. The special meeting of the Company will be held on Tuesday, August 7, 2018 (the "Meeting") to approve the plan of arrangement with Natures Hemp. Following the Meeting, the Natures Hemp special warrants will be converted into common shares of Natures Hemp.

On August 8, 2018, the Company announced the voting results of its special meeting held on August 7, 2018. A total of 10,492,782 Common Shares representing 17.81% of the issued shares of the Company were represented at the Meeting. All resolutions presented to the shareholders were approved.

On August 14, 2018, the Company announced that the Supreme Court of British Columbia approved the plan of arrangement among the Company, Natures Hemp and the shareholders of the Company. The Company will proceed to complete the arrangement, which includes the issuance of shares to the Company shareholders of record as of June 18, 2018, on the basis of one new common share in Natures Hemp for every 3.3665 Company shares held on a pro rata basis. Natures Hemp will issue approximately 17,500,000 common shares of Natures Hemp to the Company shareholders.

On August 28, 2018, the Company announced that effective August 28, 2018, the Company completed a statutory arrangement under a plan of arrangement. As a result of completing the arrangement, Natures Hemp became a reporting issuer in the provinces of British Columbia, Alberta and Ontario. Completion of the arrangement, as set forth in the arrangement agreement and plan of arrangement dated May 18, 2018, between the Company and Natures Hemp was approved by the shareholders of the Company on August 7, 2018 and by a Final Order granted by the Supreme Court of British Columbia on August 13, 2018, in accordance with Part 9 of the Business Corporations Act (British Columbia).

On September 14, 2018, the Company announced that it would be proceeding with Delta Facility which was announced on June 29, 2018. The Company has been in discussions with potential financiers regarding financing of the project, is in the process of finalizing a sublease, management and shareholder agreements related to the project, and has completed several site tours of the Delta Facility. In conjunction with the project, the Company plans to issue up to 4,000,000 Common Shares of the Company for services to key personnel including related parties assisting with the project. The Common Shares will be issued in tranches, with up to 2,000,000 Common Shares to be issued next week and up to 2,000,000 Common Shares to be issued on execution of the outstanding agreements related to the project. The deemed value of the Common Shares will be determined by the closing market price on the day preceding the issuance of the Common Shares. Additionally, the Company has paid a \$1,500,000 deposit on the project and has spent an additional \$200,000 for the hiring of security personnel for the Delta Facility.

On September 25, 2018, the Company announced that it had signed an equity participation and earn-in agreement with Delta Organic Cannabis ("DOCC"), which provided for up to \$40 million in investment at a price of \$2.24 per the Common Share for the development of the Delta Facility. The proceeds of the subscriptions shall be used exclusively to develop the Delta Facility consisting of 2,200,000 sq. feet of illuminated greenhouse space and 1,700,000 sq. feet of "ebb and flood" irrigation space. This is an arm's length transaction and no finder's fees are to be paid.

On October 11, 2018, the Company provided an update to the previously announced equity participation and earn-in agreement with DOCC, a privately held Toronto-based cannabis investment company backed by preeminent leaders in Canadian cannabis enterprise, for up to a \$40 million investment at a price of \$2.24 per Common share for the development of a large-scale, commercial medical cannabis cultivation operation in Delta, British Columbia. The Company and DOCC agreed to an extension to deadline for the first advance of funds by DOCC to the Company to October 17, 2018.

On October 15, 2018 the Company announced that AAA Heidelberg, had received its ACMPR cultivation license from Health Canada. With this license, the Company is permitted to begin cultivating cannabis at its indoor facility located in London, Ontario.

On October 16, 2018, the Company announced that it had executed an agreement with Cannvas, a leading business technology company in the cannabis space, to become the first licensed producer to join the recently announced Cannvas Marché, a network of high-tech learning and fulfillment centres across Canada. The Company secured premiere access to the digital experience screens to be presented in each Cannvas Marché location.

On October 18, 2018, the Company closed a \$12.5 million first tranche of \$40 million equity participation and earn-in Agreement with DOCC and issued 27,863,775 Common Shares of the Company at a price of \$0.448 per share.

On October 31, 2018, the Company announced that it had granted incentive stock options to purchase a total of 1,400,000 Common Shares at an exercise price of \$0.71 per share for a period of five years to certain directors, officers and consultants in accordance with the provisions of its stock option plan.

On November 7, 2018, the Company announced that it proposed to change its name to "AgraFlora Organics International Inc." to better reflect the direction of the Company's business. Concurrent with the name change, the Company will be completing a subdivision of its issued and outstanding Common Shares on the basis of five (5) new Common Shares for every one (1) Common Share held ("Stock split").

On November 14, 2018, the Company announced that it had completed the name change from "PUF Ventures Inc." to "AgraFlora Organics International Inc." and the Company's trading symbol had changed to "AGRA" on the CSE. The Company also announced the completion of its Stock Split as at November 19, 2018.

On November 19, 2018, the Company provided an updated on its progress of the retrofit of the Delta Facility and also announced an equity participation and earn-in agreement with DOCC, for up to a \$40 million investment at a price of approximately \$0.45 per Common Share for the development of the Delta Facility.

On December 10, 2018, the Company closed a \$7.5 million second tranche of the \$40 million equity participation and earn-in agreement with DOCC and issued 16,718,265 Common Shares of the Company at a price of \$0.448 per share.

On December 13, 2018 the Company announced that it had signed an agreement with Namaste Technologies Inc.'s ("Namaste") wholly-owned subsidiary, Cannmart Inc. ("Cannmart"), where Cannmart may purchase medical cannabis products from the Company's PSC greenhouse operations in Delta, British Columbia, subject to approval of its cultivation and sales licenses by Health Canada. In October 2018, the Company's majority-owned subsidiary, AAA Heidelberg, received a license to produce under Health Canada's ACMPR for its facility in London, Ontario. A second news release dated December 13, 2018 at the request of Investment Industry Regulatory Organization of Canada ("IIROC") was dissemination. The second news release provided additional information with respect to the agreement entered into with Namaste. Subject to the terms of the agreement, Cannmart reserves the right of first refusal to purchase up to 10% of the total annual production from AgraFlora's large-scale Delta Facility, representing 25,000,000 grams, at a price of \$4 per gram, or up to \$100,000,000 per year with production costs estimated to be between 20-24 percent of total revenue. When the 2,200,000 sq. ft. Delta Facility is fully operational in 2021, it is projected to have an annual capacity of 250,000,000 grams of high quality cannabis.

On December 19, 2018, the Company acquired the remaining 45.51% interest in AAA Heidelberg by issuing 12,500,000 Common Shares with a fair value of \$2,187,500. The Company now has 100% ownership interest in AAA Heidelberg. In addition, the Company issued a further 2,008,237 Common Shares with a fair value of \$351,441 to settle outstanding debts in AAA Heidelberg.

On December 20, 2018, the Company announced the formation of the private company Glow to pursue medical related technology opportunities in the global cannabis sector. The newly formed entity combines Relay Medical Corp. ("Relay") techno-commercial leadership with the Company's accumulated knowledge, expertise and access to cannabis industries across the sector. Glow is owned 50% by Relay, 30% by the Company, who has committed to an initial investment of \$200,000, and the remaining 20% by private investors.

On December 27, 2018, the Company announced the acquisition of a large library of cannabis seed varieties from a private genetics firm based on the Sunshine Coast in British Columbia. The Company secured exclusive genetic acquisition agreements for a broad range of cannabis seed varieties from diverse lineages.

On December 31, 2018, the Company announced that it had issued a total of 2,291,727 Common Shares at a deemed value of \$0.1667 per Common Share to certain persons for certain loans and management fees owed totaling approximately \$382,120.61. The Common Shares issued pursuant to the agreement are subject to a four month hold period. The Company also announced that it has executed its first propagation supply agreement with Alta-Sun Samson Holdings Corp. ("Alta-Sun"), a wholly owned subsidiary of Cabbay Holdings Corp. ("Cabbay"). The agreement calls for PSC to supply high-CBD cannabis plants for a 5- acre outdoor grow operation near Edmonton, Alberta. Cabbay's 100% owned subsidiary, Alta-Sun, has a lease on a 5-acre site on Enoch Cree Nation land near Edmonton, Alberta and potential to increase the growing area to 160 Acres in 2020, where it intends to develop an

outdoor cannabis cultivation facility and will apply for a standard cultivation license under the Cannabis Act in Canada.

During the year-ended December 31, 2018, as part of the settlement with Solaris, the MYM Loan was forgiven and the Company recorded a gain of \$129,950.

The Company's cash on hand increased to \$10,718,888 (2017 - \$3,791,249). The Company had working capital of \$11,071,721 at December 31, 2018 compared to a working capital of \$3,043,637 at December 31, 2017. The increase in working capital was due to investment from DOCC.

The Company's loss for the year ended December 31, 2018 was \$5,820,218 (2017- \$2,119,601). The significant changes were due to an increase in consulting and management fees to \$2,866,175 (2017 - \$843,532) due to an increase in business activity.

Share-based compensation for the year ended December 31, 2018 was \$2,073,494 (2017 - \$934,159). The increase was due to the granting of stock options, regulatory and transfer agent fees also increased and was \$225,967 (2017 - 128,156).

Investor communications for the year ended December 31, 2018 was \$704,210 (2017 - \$372,836) which increase was due to an increase in the Company's business activities. Legal and compliance expenses during the year ended December 31, 2018 was \$74,720 (2017- \$24,587).

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand. At December 31, 2018, \$31,841 (2017 - \$87,400) is owing to related parties for unpaid fees, of which \$31,841 (2017 - \$34,900) included in accounts payable and accrued liabilities and \$Nil (2017 - \$52,500) is included in loans payable. All loans payable by AAA Heidelberg (\$2017-\$509,621) were settled in the year ended December 31, 2018.

Subsequent to Year Ended December 31, 2018

On January 2, 2019, the Company announced that PSC has executed its first propagation supply agreement with Alta-Sun, the agreement calls for PSC to supply high-CBD cannabis plants for a 5-acre outdoor grow operation near Edmonton, Alberta. PSC is a joint venture company in the process of retrofitting the large-scale Delta Facility. The fully funded retrofit of the 2,200,000 square foot complex is to be completed in three phases:

- Phase 1 includes the retrofit of 350,000 square feet, including 100,000 post-production facilities, completion scheduled for Q2 2019;
- Phase 2 includes an additional 1,450,000 square feet to be completed by Q4 2019;
- Phase 3 consists of 400,000 square feet scheduled for completion in Q2 2020.

On January 7, 2019, the Company announced that it has engaged good manufacturing practices (GMP) facility experts to design post production exports for the European Union (EU) in preparation for the first crop of cannabis to be planted at its the large-scale Delta Facility later in 2019. The Company has also initiated discussions regarding supply agreements and product development partnerships with several EU based pharma companies.

On January 7, 2019, the Company further announced that it had entered into a letter of intent with Blox Labs Inc. ("BLOX") to negotiate in good faith, a definitive agreement whereby the Company and BLOX intend to form a joint venture company to build a best-in-class team of professionals from the cannabis, agriculture and pharmaceutical sectors to manage and operate state-of-the-art agricultural greenhouse facilities. Currently BLOX has executed a letter of intent with Best Cannabis Products Inc. ("BCP") to enter into a definitive agreement to acquire a 180,000 sq. ft. greenhouse facility on 50 acres of land in Leamington, Ontario. The letter of intent calls for the Company and BLOX to form a joint venture company to build a best-in-class team of professionals from the cannabis, agriculture and pharmaceutical sectors to manage and operate cannabis greenhouses. The letter of intent also includes management of the Leamington cannabis greenhouse whereby the Company would receive up to 19.99% ownership, subject to the satisfaction of certain milestones, in BLOX or the "Newco" upon closing of the BCP arrangement. The Company is to be named the manager of the Leamington cannabis greenhouse and will receive the following compensation assuming BLOX completes its acquisition of BCP within the timeframe to be referenced in the definitive agreement:

- i. The special warrants are comprised of Series A, Series B and Series C with each series containing 23,788,100 special warrants. Each special warrant is convertible, subject a conversion limitation of the Company not owning more than 19.99% of BLOX at any time, into one common share in the capital of BLOX on the basis certain conditions and milestones being met including the completion of the acquisition of BCP by BLOX.

- ii. The Company will also provide services and resources related propagation and genetics, greenhouse design and operation and large-scale cultivation to the Leamington cannabis project.
- iii. The Company will contribute rights relating to its existing cannabis operations and non-exclusive brands currently being sold in Canada.
- iv. The management contract of the Leamington cannabis greenhouse between the Company and BLOX is conditional upon the completion of the acquisition of BCP by BLOX.

On February 4, 2019, the Company announced that Natures Hemp, a spin-off company from the Company and a biotechnology and consumer products company focused on unlocking the true value of hemp for both B2B and B2C markets, is moving forward with the development of a hemp based coffee creamer. The Richardson Centre of Functional Foods and Nutraceuticals at the University of Manitoba is undertaking phase two of product development which includes product and process optimization, increased production scale plus a shelf life study.

On February 20, 2019, the Company announced an amendment to the letter of intent signed with BLOX originally announced on January 7, 2019. The parties have agreed to reduce the total number of special warrants to be issued to the Company from 71,364,300 to 57,091,440. The special warrants are to be priced at a deemed value of \$0.05 per special warrant (for a total value of \$2,854,572). There can be no assurance that the transaction will be completed as proposed or at all. The Company and Blox will provide further disclosure by way of press releases as additional information becomes available.

On February 28, 2019, the Company provided an update to the previously announced equity participation and earn-in agreement with DOCC for up to a \$40 million investment at a price of approximately \$0.45 per Common Share for the retrofit of the Delta Facility. The Company also provided a general update of transactions which had occurred in the previous four months as disclosed through its disseminated news releases. In addition, the Company expects to be in receipt of the balance of the funds of the financing (\$20 million) by March 31, 2019. Due to the size and complexity of the transaction, additional time is required to complete the transaction.

On March 8, 2019, the Company announced its intention to pursue a public listing on a major international stock exchange. Management is currently analyzing the strategic advantages of a potential listing on the Nasdaq, the New York Stock Exchange or the AIM, a division of the London Stock Exchange.

On March 11, 2019, the Company announced that it had retained Maricom Inc. ("Maricom") to provide investor relations services to the Company in compliance with regulatory guidelines. Under the terms of engagement, Maricom has been retained for a 6-month period starting March 1, 2019 at \$3,500 per month.

On March 13, 2019, the Company announced that on December 10, 2018, DOCC acquired 16,718,265 Common Shares of the Company at a price of approximately \$0.45 per common share (\$7,500,000 in the aggregate) pursuant to the advance of a commitment in accordance with a previously announced equity participation and earn-in agreement. Immediately prior to the acquisition of the common shares, DOCC owned 27,863,775 common shares. Immediately following the advance of the second commitment on December 10, 2018, DOCC acquired 16,718,265 common shares, resulting in an aggregate holding of 44,582,040 common shares, representing approximately 11.2% of the outstanding common shares on a non-diluted basis. The commitment (which was converted to an option to acquire an additional, aggregate 44,582,040 common shares after the acquisition of 16,718,265 Common Shares on December 10, 2018) was advanced pursuant to the Agreement by DOCC in order to obtain an interest in the Common Shares.

On March 15, 2019, the Company advanced \$230,000 to BCP, the advances have no specified terms of repayment.

On March 20, 2019, the Company announced the following:

- It was acquiring an additional 10% of the shares of PSC for \$14 million payable by Common Shares of the Company at a price of \$0.68 per share, equivalent to 20,588,235 Common Shares. The transaction has been agreed to in principle and approved by both boards of directors of the Company and PSC. Following the transaction, the ownership of PSC will consist of the Company as to 60%, the Houwelings Partnership Group as to 30% and the investors of DOCC as to 10%. The Company is issuing Common Shares at \$0.68 per share which is an approximate 53% premium to the shares paid to DOCC at \$0.445 for its 20% purchase of PSC, as announced in November 2018. The 10% acquired by the Company comes from four shareholders of PSC. The transaction was an arm's length transaction and no finder's fees are to be paid. Upon closing the final \$20 million payment of a previously announced financing, DOCC will receive an additional 10% from the Company and the Company will remain the majority shareholder with a 50% ownership position of PSC, with the Houwelings Partnership Group with 30% and the investors of DOCC with 20%. The Company's 50% ownership of PSC will entitle it to 50% of the annual estimated production of 250,000,000 grams from the Delta Facility; and

- It had initiated due diligence with respect to a potential partnership with Dixie Brands Inc. ("Dixie"), relating to the manufacture, sale and distribution of cannabis infused products within legalized markets in the EU. The Company and Dixie have identified various synergies that exist across product portfolios and distribution networks and are assessing opportunities to capture market share in the EU to the mutual benefit of both companies.

On March 25, 2019 the Company announced that further to its news releases dated September 25, 2018, October 11, 2018, November 19, 2018, December 10, 2018 and February 28, 2019, it had closed a \$20 million third and fourth tranches of the \$40 million equity participation and earn-in agreement with DOCC and issued the third tranche of 44,582,040 Common Shares of the Company at a deemed price of approximately \$0.45 per Common Share.

On April 4, 2019, the Company announced the execution of a binding letter of intent to bring Glow the cannabis technology joint venture, public by way of reverse takeover. In December 2018, the Partners jointly announced the formation of Glow to identify and develop technologies within the global cannabis sector. The above-mentioned letter of intent is to be followed by a formal definitive agreement with Ateba Resources Inc. ("Ateba") whereby Ateba will acquire all the securities of Glow by way of a share exchange, amalgamation or other transaction, subject to the terms and conditions of the letter of intent. (the "Ateba Proposed Transaction"). Pursuant to the terms of the Ateba Proposed Transaction, Ateba will change its name to "Glow LifeTech Corp." As a result of the Ateba Proposed Transaction, Ateba will continue on with the business of Glow. Glow is responsible for a termination fee of \$100,000 in the event Glow breaches the terms of the letter of intent. Ateba has no commercial operations, no assets and minimal liabilities. Under the terms of the letter of intent, Glow will complete a minimum financing of \$500,000 through the issuance of 2,500,000 common shares prior to the closing of the Ateba Proposed Transaction. Additionally, Ateba will complete a 1.555555 for 1 share consolidation prior to the closing of the Ateba Proposed Transaction. Glow is currently owned 63.5% by Relay and 36.5% by the Company. With initial funding of at least \$500,000 prior to the closing of the Ateba Proposed Transaction, Glow will establish its operational structure with a mandate to find and identify appropriate technology opportunities within the cannabis sector. Glow has commenced initial due diligence on industry related innovative technologies. After the completion of the Ateba Proposed Transaction and the contemplated listing, Glow will be positioned to advance and fund its business model with access to public capital markets. After completion of the Ateba Proposed Transaction, and assuming no further common shares are issued, an aggregate of 15,500,000 common shares in the capital of Ateba (the "Ateba Shares") will be issued and outstanding, with former security holders of Glow holding 12,500,000 Ateba Shares, representing approximately 80% of the total outstanding Ateba Shares and the original shareholders of Ateba holding 3,000,000 Ateba Shares, representing approximately 20% of the outstanding Ateba Shares. The closing date for the Ateba Proposed Transaction is expected to be on or around June 30, 2019.

On April 8, 2019, the Company announced the execution of an asset sale agreement to transfer a suite of technology assets including the cannabis Smart Consumption System from Relay to Glow. Under the terms of the agreement, Relay has sold a suite of technology assets relating to the development and licensing of cannabis related medical technologies. In consideration, Glow has issued 6,350,000 shares to Relay resulting in Relay holding approximately 63.5% of Glow prior to the anticipated completion of a private placement and go-public transaction.

On April 9, 2019, the Company announced that it had entered into an agreement whereby the Company will transfer its portfolio of exotic, native Colombian cannabis genetics to ICC International Cannabis Corp. ("International Cannabis"), for international marketing and distribution purposes.

On April 23, 2019, the Company announced the appointment of Mr. Brandon Boddy as a director and the appointment of Ms. Jan Urata as Corporate Secretary of the Company.

On May 29, 2019, the Company announced that, further to its news releases of March 20, 2019 and March 25, 2019, it had completed various share issuances to certain parties as detailed out below.

- PSC: A total of 20,588,235 Common Shares were issued pursuant to a share purchase agreement with PSC and the shareholders of PSC (the "PSC Shareholders") dated effective March 19, 2019 (the "PSC Agreement"). Pursuant to the PSC Agreement, the Company acquired 10% of the outstanding Class B non-voting participating common shares of PSC (the "PSC Shares") from the PSC shareholders for \$14,000,000, payable by the issuance of 20,588,235 Common Shares of the Company at a price of \$0.68 per Common Share.

- Consulting Services: The Company issued an aggregate of 10,000,000 Common Shares at a deemed price of \$0.51 per Common Share to key personnel, including related parties, who are assisting with PSC and the Delta Facility which was announced on June 29, 2018.
- Letter of Intent: Pursuant to a letter of intent dated May 22, 2018, the Company has issued the first allotment of 1,250,000 Common Shares to Cornelius Houwelings at a deemed price of \$0.51 per Common Share. As set out in the letter of intent, the Company agreed to issue an aggregate of 5,000,000 Common Shares to Cornelius Houwelings with the remaining 3,750,000 Common Shares to be issued as follows:

Date of Issuance	No. of Shares
June 25, 2019	1,250,000
September 25, 2019	1,250,000
December 25, 2019	1,250,000
TOTAL	3,750,000

The Company has also agreed to issue an additional 5,000,000 Common Shares to Cornelius Houwelings upon the achievement of the Delta Facility becoming 100% operational in cannabis.

- Supply Agreement: The Company also issued 281,690 Common Shares at a deemed price of \$0.71 per Common Share to Vendure Genetics Labs Inc. ("Vendure") pursuant to a supply agreement dated December 26, 2018, whereby the Company agreed to purchase certain plants, plant matter and related plant based products from Vendure for total consideration of \$200,000, payable in Common Shares.

On May 3, 2019, the Company announced that it had sold its rights to AgraLeaf SA ("AgraLeaf") in Greece in exchange for common shares of Roughrider Capital Corp. ("Roughrider") valued at 150% of the Company's original investment in the Greek venture. The Company anticipates it will own approximately 8% of the common shares of Roughrider after the closing of the transaction. Furthermore, the Company intends to enter into a supply agreement with Roughrider's Greek pharmaceutical partner to purchase cannabis flower and oils for its pharmaceutical products. The agreement will also extend to the Company's genetics and technical support.

On May 21, 2019, the Company announced the appointment of Mr. Brandon Boddy as Chairman and CEO and the resignation of Mr. Derek Ivany as President, CEO and a Director of the Company. The Company further announced that it had granted incentive stock options to purchase a total of 6,000,000 Common Shares at an exercise price of \$0.46 per Common Share for a period of five years to certain directors, officers and consultants in accordance with the provisions of its stock option plan.

On May 22, 2019, the Company announced that it had entered into a five year commercial rights and off-take agreement with International Cannabis. Under the terms of the agreement, the Company will sell up to 100,000 kg of premium dried cannabis flower produced from its Delta Facility to International Cannabis over the next five years, subject to approval of the Company's cultivation and sales licenses by Health Canada.

On May 23, 2019, the Company announced that it had entered into a binding letter of intent whereby the Company will acquire 100% of Organic Flower Investments Group Inc.'s ("OFIG") assets including OFIG's 20% interest in the Delta Facility, an array of domestic downstream/product formulation operations and the rights to a trans-European distribution network (the "OFIG Proposed Transaction"). It is anticipated that the sale price for the assets will be comprised of 1.15 shares of the Company for each one (1) issued and outstanding share of OFIG at the time of closing (the "OFIG Consideration Shares"), with the OFIG Consideration Shares to be distributed to the shareholders of OFIG. Closing of the OFIG Proposed Transaction remains subject to applicable corporate, securities and exchange approvals. The OFIG Proposed Transaction will thereby reunite 70% ownership of PSC and the Delta Facility under the Company's corporate umbrella.

On May 27, 2019, the Company announced that, further to its news release of May 3, 2019, it has entered into an amended assignment agreement (the "Amended Roughrider Agreement") with Roughrider dated May 2, 2019, whereby the parties agreed to amend the original assignment agreement dated April 30, 2019 to reduce the purchase price of the optioned shares from €600,000 to €500,000 resulting in a reduced number of common shares of Roughrider (the "Roughrider Shares") to be issued to the Company, from 3,600,000 Roughrider Shares to 3,010,000 Roughrider Shares at a deemed price of \$0.25 per Roughrider Share. The terms of the original option agreement are defined below. On April 2, 2019, the Company entered into the option agreement with Emmanouil Kaldis ("Kaldis"), whereby Kaldis, who is the registered shareholder of 25,000 common shares (the "AgraLeaf Shares") of AgraLeaf, a company incorporated under the laws of Greece that has as its primary asset a license application for the

cultivation and exploitation of Pharmaceutical Cannabis products in the Greek territory, granted the Company an option to purchase the AgraLeaf Shares for €30,000 up until April 2, 2020. In addition, the Company announced the appointment of Mr. Brian O'Neill as a director of the Company.

On May 28, 2019, the Company announced that it had entered into a binding letter of intent with International Cannabis, for the strategic sale of its Colombian pharmacy operation, Farma Swiss S.A.S. ("Farma Swiss"). Farma Swiss is part of Pure Grow, the Company's wholly owned Colombian subsidiary formed to pursue international opportunities in the cannabis industry. It operates a licensed pharmacy strategically situated within a high traffic, commercial neighborhood of Medellin, Colombia. As per the terms of the letter of intent, International Cannabis will issue the Company such number of common shares in the capital of International Cannabis that equals to \$250,000, based upon the five-day variable weighted average price of International Cannabis' common shares for the five trading sessions prior to the announcement of an agreement.

On May 30, 2019, the Company announced that it had applied for licensing with Health Canada under the Industrial Hemp Regulations of the Cannabis Act (the "Industrial Hemp License"). The Company anticipates that license approval could be granted in the third quarter of 2019, which will subsequently equip the Company with the ability to seed, cultivate and harvest industrial hemp at its Delta Facility. Upon successful grant of an Industrial Hemp License, the Company intends to aggressively pursue proprietary CBD cultivation development, as well as: i) seedling development; ii) cultivation experimentation; and iii) specialized fibre production.

On June 7, 2019, the Company announced that it had completed a transaction relating to the acquisition of downstream and a product formulation portfolio (the "OFIG Assets") from OFIG. Pursuant to the terms of an executed asset purchase and sale agreement (the "OFIG Agreement"), this transaction reunites 70 percent of the Company's joint venture entity, PSC Delta facility under a consolidated corporate umbrella. Under the terms of the executed OFIG Agreement, the Company will issue the OFIG Consideration Shares. It is anticipated that the OFIG Consideration Shares will be distributed to the shareholders of OFIG upon formal establishment of a record date. As per the terms of the executed OFIG Agreement, the Company has acquired the following Assets from OFIG:

- 20% interest in the flagship 2,200,000 square foot Delta Greenhouse Complex;
- Exclusive trans-European distribution and GMP cannabis processing/finishing agreements comprised of 80,000 retail endpoints/pharmacies, spanning 16 countries;
- An array of domestic downstream/product formulation operations which are detail in the Company's news release dated June 7, 2019 and posted on www.sedar.com under the Company's profile and noted below:
 - An 80% interest in Dispensing Cap Technologies;
 - An 80% interest in Canabeer;
 - An 80% interest in Canada Cannabis Therapeutics Company;
 - An 80% interest in Colorado Science;
 - An 80% interest in Potluck Potions;
 - A 100% interest in Trichome;
 - A sub-licensing agreement with True Focus; and
 - A 100% interest in Canutra.

On June 14, 2019, the Company provided the Q3 2019 – Q4 2020 operating guidance pertaining to its wholly owned AAA Heidelberg Facility.

On June 18, 2019, the Company provided an extensively detailed Corporate update with regards to the transaction that it closed with OFIG and provided a detailed overview of the domestic downstream and product formulations it acquired.

On June 21, 2019, at the request of IIROC the Company provided a detailed news release providing the Company's operating milestones, licensing timelines and retrofit updates pertaining to its subsidiary Potluck Potions.

On June 25, 2019, the Company provided operational guidance and retrofit updates pertaining to its ongoing facility expansion initiatives at the Brunswick Bierworks' facility, located in Toronto, Ontario for its subsidiary Canabeer.

On June 27, 2019, the Company provided licensing guidance and operational updates pertaining to its cannabinoid-infused beverage bottling facility situated in the Greater Toronto Area for its Dispensing Cap Technologies subsidiary.

On July 3, 2019, the Company announced that further to its news release dated May 30, 2019, the Company was awarded an Industrial Hemp License from Health Canada, under the industrial hemp regulations of the Cannabis Act at its Delta facility.

On July 9, 2019, the Company provided Phase 1 product development and facility retrofit guidance pertaining to the integration of its patented, pharma-grade beverage dispensing cap technology at the Company's fully operational, GMP certified Toronto, Ontario, bottling facility. The Company advised that further to its news release dated May 30, 2019, the Company had been awarded an Industrial Hemp License from Health Canada, under the industrial hemp regulations of the Cannabis Act at its Delta Facility. The Company's full-spectrum Industrial Hemp License equips the Company with the following immediate cultivation, propagation, nursery and product formulation/manufacturing capabilities.

On July 11, 2019, the Company provided a corporate development update regarding its exclusive domestic Canadian sub-license of the True Focus product suite and proprietary intellectual property portfolio. Comprehensive research and development, as well as data-driven brand-building initiatives are underway at the parent company domicile of True Focus, which in turn will benefit the Company via the enhancement of its marketing toolkit as it embarks upon its go-to-market strategy for the product.

On July 17, 2019, the Company provided an operational guidance and corporate development updates pertaining to its wholly-owned, vertically integrated cannabinoid-infused cosmetics/topicals subsidiary, Canutra.

DESCRIPTION OF THE BUSINESS

1.4 GENERAL

AgraFlora is a vertically integrated cannabis company equipped with a robust portfolio of licensed upstream, downstream and product formulation assets. The Company owns and operates an ACMPR licensed indoor cultivation operation in London, Ontario, Canada, and controls a 70% interest in PSC and its Delta facility. The Delta Facility is equipped with 2.2 million square feet of dedicated cultivation area under glass and is widely considered to be one of the most technically advanced and environmentally efficient greenhouse operations in the world.

PRODUCTION & FACILITIES

Delta, British Columbia, Canada

The Delta facility is forecasted to produce 175 million grams of premium dried cannabis flower by 2020. The Company is projected to have the first 250K sq.ft. facility operational by the summer of 2019 and the rest of the capacity increase is fully funded and expected to be operational by 2020. The Delta facility is at the centerpieces of the Company's ambitious growth strategy and is expected to make the Company one of the leaders in the industry. When complete the Delta Greenhouse Complex will be one of the most efficient greenhouses in Canada with advanced technology operating HVAC, water and lighting, its own natural gas co-gen energy plant and a prime location in Delta, British Columbia.

Upon successful award of its Health Canada cultivation license, the Delta Greenhouse Complex will hold claim to the highly coveted spot as the world's second largest cannabis cultivation operation under glass.

London, Ontario, Canada

AAA Heidelberg is a boutique, small-batch, craft grower that produces high-quality cannabis with unique genetics demanding a premium price. AAA Heidelberg operates out of an 8,800 sq.ft. indoor growing facility in London, Ontario. The facility has the most up-to-date growing and security technologies available and meets the highest level of pharmaceutical standards. It features a state-of-the-art HVAC system, a Surna Water Chilled Climate Control system and a security system that meets or exceeds all requirements demanded by Health Canada. These systems are backbone of the facility's automated control for the complete operations of the growing process.

Once fully optimized, it is forecasted that the AAA Heidelberg facility will achieve annualized dried cannabis production capabilities of circa one million grams, including the successful recapture of 225,000 grams of premium cannabis trim to be manufactured into ancillary value-added cannabis product.

BRANDS

Canutra Naturals

Canutra is equipped with cultivation, extraction, manufacturing and distribution capabilities from its flagship facility in Kent county, New Brunswick. Canutra manufactures and distributes premium skin care, cosmetics and cannabinoid product lines, including a suite of trusted consumer brands such.

Canutra's wholly owned subsidiary, Canutra Farms, owns and operates 76 acres of unzoned agricultural land with 1,000 feet of river frontage in Kent county, New Brunswick. Canutra Farms was formerly a federally owned farm

and research facility and is equipped with over 17,500 square feet of commercial-grade facilities and 12 separate structures. Canutra Farms was granted an industrial hemp license by Health Canada for its New Brunswick land parcel in 2017. Canutra was also awarded a cannabis research licence by Health Canada in 2018.

Canutra's turnkey manufacturing infrastructure positions the Company to capitalize on current and future market trends in the rapidly expanding cannabis consumer products space. Canutra is finalizing the development phase of a suite of innovative SKUs including:

- Organic cosmetics with anti-aging properties;
- Shampoos and conditioners;
- Sunscreens.

Whole Hemp Health

Through AgraFlora's wholly owned subsidiary Canutra, it markets the Whole Hemp Health suite of Premium Natural Hemp Skincare products. Developed by an expert team of natural product formulators, Whole Hemp Health boasts a fusion of Canadian Hemp with synergistic all natural ingredients make the Whole Hemp Health skincare line the optimal choice for healthy, vibrant skin.

Whole Hemp Health proprietary formulation includes premium Hemp Seed oil to penetrate the skin and deliver rich nourishment and moisture. Whole Hemp Health's innovative portfolio of Hemp Seed oil infused includes:

- Total Body Renew Lotions;
- Hydrate + Revive Face Creams;
- Nourishment Serums;
- Cleansing Milks;
- Hemp Body Soaps; and,
- Liquid Hand Soaps.

AgraFlora markets its Whole Hemp Health product line by way of brick-and-mortar retail outlets, Amazon Prime, as well as direct to consumer, through Canutra's integrated Shopify e-commerce platform

Edibles & Infusions

By way of an executed asset purchase agreement with OFIG, AgraFlora controls an 80 per cent interest in The Edibles and Infusions Corp. ("Edibles and Infusions"), a joint venture (the "JV") with one of North America's largest and most storied manufacturer and distributor of chocolate and sugar confectionary products.

The Company strives to provide our customers with the highest quality, potency and best tasting cannabinoid-infused edibles and functional foods.

Edibles and Infusions was established nearly a century ago and has since become North America's largest confectionary fruit slice manufacturer, supplying products to over 20,000 locations across North America — most prominently Costco and Wal-Mart.

The Company is in the process of building on of North America's largest cannabis specific facilities. This state-of-the-art operation will be run by our talented roster of experienced chocolatiers and confectioners that have decades of experience in developing only the highest quality food products.

Edibles and Infusions will design and develop a 50,000 square foot manufacturing and product formulation facility, located in Winnipeg, Man. The facility will be operated by a roster of experienced chocolatiers and confectioners, as well as equipped with industry leading manufacturing equipment capable of producing an assortment of both cannabinoid/terpene-infused products for medicinal, functional and adult-use.

- Applications for a Health Canada standard processing licence, as well as a cannabis sales licence;
- Negotiating various contract manufacturing agreements with Tier 1 Canadian licensed producers;
- Facility fully operational by the first quarter of 2020 and once optimized will be capable of generating in excess of \$750-million in annual retail sales revenue;

HowlBrands

By way of an exclusive North American manufacturing and distribution agreement with the Toronto Wolfpack RLFC ("TWP") and HowlBrands, AgraFlora is positioned at the nexus of the burgeoning CBD-infused performance products marketplace and the vast captive audience of professional sports.

In collaboration with TWP and HowlBrands, the company will leverage its unique downstream and product formulation asset portfolio to manufacture and distribute a suite of athlete-focused, CBD performance products, including:

- CBD-infused topical creams;
- Therapeutic relief balms;
- Sport pain CBD tinctures;
- CBD-infused soaks;
- CBD-infused roll-ons and healing sticks — engineered for optimal topical absorption.

AgraFlora and HowlBrands are preparing to launch an inaugural CBD-infused SKU, Rugby Strength, a replenishing body topical cream infused with 125 milligrams of CBD extract, derived from organically grown cannabis sativa L.

Rugby Strength is uniquely formulated to optimize the transdermal absorption of CBD's analgesic, anti-inflammatory and anti-anxiety healing properties. HowlBrands and TWP aim to cater to professional and amateur sports teams, as well as individual athletes through diverse product offerings formulated to:

- Reduce the pain and discomfort resulting from intense and/or frequent wear and trauma on weight-bearing joints;
- Support reparation and recovery;
- Enhance fitness and performance.

True Focus Canada

The company has been granted the Canadian exclusive sublicense for True Focus Canada's product suite and proprietary IP portfolio, including its patent-pending THC overdose antidote. The sublicense permits the exclusive domestic marketing, distribution and development of the aforementioned THC overdose antidote for a period of 10 years.

With this exclusive sublicense, AgraFlora is now armed with a suite of all-natural, nutraceutical formulations, coupled with an intuitive delivery system designed to mitigate the negative side effects associated with excessive THC consumption. The aforementioned product formulations are considered patent pending by way of a U.S. Patent and Trademark Office (USPTO) patent application.

Delivered to the end-consumer through a pocket-sized, user-friendly spray bottle, True Focus's revolutionary formulations are designed to be ingested in a sublingual manner.

Recreational cannabis consumption for the purpose of achieving desired levels of euphoric or psychoactive effects can at times lead to adverse and unwanted side effects, given the lack of consistent dose distinction or historical use. True Focus's patent-pending formulation offers a unique solution to alleviating undesirable symptoms associated with a THC overdose.

Potluck Potions & Edibles Inc.

Acquisition of this Canadian short-run multi-use beverage manufacturing facility is set up to be a one-stop shop for beverages in the cannabis industry.

Through an exclusive partnership agreement with a leading Toronto-based brewery, the Company holds claim to the exclusive formulation, manufacturing and distribution rights for all cannabinoid-infused beverages developed at said Brewhouse. Composed of a consortium of experienced brewery partners, the Brewhouse has completed multiple production runs for prominent European beverage brands, such as:

- Guinness;
- Augustiner;
- Innes & Gunn.

This exclusive partnership provides AgraFlora with pre-eminent exposure to a collective of domestic and global brewery partners, as well as further crystallizes a leading production platform for the company's cannabinoid-infused carbonated beverage product offering.

Health Cap Holdings

The Company controls the exclusive rights to a portfolio of disruptive cannabis beverage delivery assets and intellectual property (IP). This acquisition will position AgraFlora as the industry's sole Canadian manufacturer and

distributor of an innovative beverage dispensing cap technology, equipped with a proprietary cannabinoid delivery mechanism.

The Company will incorporate its planned cannabinoid-infused beverages lines with its patented pharmaceutical-grade dispensing cap technology, as well as advanced delivery mechanisms, providing optimized ingredient effectiveness for the end-consumers. Refined over five years, with research and development expenditures of \$30-million, the Company will leverage its exclusive rights to a marquee dispensing cap technology and delivery mechanism to revolutionize the North American cannabinoid-infused beverage marketplace.

Product: Patented Dispensing Cap: The patented dispensing cap can deliver medicinal benefits with superior stability. It consists of a twist-cap and a chamber that stores active ingredients.

Pharma-Grade and Certified as a Medical Device 3 US Patents:

- The airtight and moisture-resistant container inside the bottle cap shelters volatile ingredients such as cannabis, antibiotics, probiotics, vitamins, and/or minerals
- Ingredients can be liquid or powder
- A safer, pharma-grade device that minimizes choking hazards as it does not puncture any seals/membranes used to hold liquid in the cap
- 100% Recyclable HDPE Plastic
- Safe mixing into liquids with greater efficacy than pre-mixed drinks

Intellectual Property

Exclusive Registered Trademark Portfolio

By way of its wholly owned subsidiary, Trichome, the Company has an aggregated portfolio of 57 registered trademarks in Canada for a diversified range of cannabis products and services, including:

- Medicinal cannabis: for the relief of nerve pain, treatment of muscle spasms caused by multiple sclerosis, relief of nausea caused by chemotherapy, temporary relief of seizures and cannabis oil for the treatment of cancer;
- Recreational cannabis: on-line and retail sale of cannabis, cannabis-related products, derivatives of cannabis and natural health products containing cannabis;
- CBD-infused performance products: CBD oil for medical purposes, topical anesthetics, antibiotic cream and anti-inflammatory ointments;
- Packaging and vape products: packaging of cannabis, cannabis-related products, derivatives of cannabis and natural health products containing cannabis, and cannabis oil for electronic cigarettes;
- Cosmetics: makeup, beauty care cosmetics, eye cream, body creams, massage creams, massage oils, skin care preparations, body powders, body oils, bath soap, moisturizing skin lotions, body sprays used as personal deodorants and fragrances, non-medicated bath salts, exfoliating scrubs for the body, and bath oils;
- Candy, chocolate and edibles: cannabis oil for food and edible oils, chocolate bars infused with cannabis, brownies containing marijuana, chocolate, and sugar confectionery;
- Beverages and bottling: non-alcoholic fruit-based beverages, carbonated soft drinks, sports drinks, beverage flavourings, beverages made of coffee and tea;
- Cannabinoid infused beers and ciders: alcoholic-based beverages, alcoholic fruit beverages and alcoholic tea-based beverages. Included in the portfolio of trademarks are regional airport codes, telephone area codes and other such recognizable regional identifiers that show significant branding potential for the cannabis space.

The Company intends to leverage these registered trademarks throughout a wide array of corporate branding exercises

Specialized Skill and Knowledge

A primary specialized skill unique to the cannabis industry is with respect to the growing of product. While a background in the growing of cannabis specifically may be helpful, the nature of growing cannabis does not differ substantially from the nature of growing any other greenhouse product. Such specialized skills are readily available to the Company.

The Company also requires client care staff, the need of which will increase as the business expands. Customer care staff is a skill set that is generally available in the market.

The Company's facilities are required to be in compliance with the *Cannabis Act* and any directives issued by Health Canada, which includes, strict security measures, equipment required to manage production, HVAC systems, odour control systems and laboratory equipment or outsourcing arrangements to monitor and test product quality. In order to ensure compliance with all of the Health Canada regulatory requirements, the Company must employ a number of regulatory, consulting and government relations personnel. While a background in the cannabis industry is not necessary for these purposes, experience in other regulated industries will assist the Company to remain compliant with the complex and rapidly evolving regulations in the industry. Individuals with this experience and skill are available to the Company.

Certain individuals occupying a "key position" with License Holders such as directors, officers, large shareholders and individuals identified by the Minister must hold a valid security clearance issued by the Minister. Under the *Cannabis Regulations*, the Minister may refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption or violent offences. A security clearance cannot be valid for more than five years and must be renewed before the expiry of a current security clearance. A failure by an individual in a key operational position to maintain or renew his or her security clearance could result in a reduction or complete suspension of certain operations. Given the limited history of the Canadian cannabis industry, there are limited individuals that currently hold a valid security clearance issued by the Minister.

The Company's management is comprised of individuals who have extensive expertise in the cannabis industry. In addition, the Company's Board of Directors is constituted by experienced professionals from various relevant industries. See "*Directors and Officers*" for additional details.

Competitive Environment

As of June 24, 2019, Health Canada has a total of 185 companies on its list of Licence Holders, which includes duplicate sites for some Licence Holders. There are also a number of unlicensed growers of cannabis who have or will seek to obtain some form of Licence under the *Cannabis Act*. However, on May 8, 2019, Health Canada also introduced changes to the cannabis licensing process. Under the new approach, Health Canada will require new applicants for Licences to have a fully built site that meets all the requirements of the *Cannabis Regulations* at the time of their application. The Company believes that the stringent application and compliance requirements may prove too onerous or expensive for some of those existing producers.

In addition, there are illegal growers and retailers operating in the black market that, while operating illegally, still act as competitors to the Company by either diverting customers away due to product choice or price point, or for those individuals who choose to continue to purchase their cannabis from the black market as it may be perceived as being more convenient, and they have grown accustomed to the quality and supply of their product.

In regards to industrial hemp and hemp-derived CBD, with the increased interest in CBD in Canada, the United States and internationally, the industrial hemp market will likely continue to expand. Market entrants in Canada and the United States face regulatory hurdles which may impede access to the market, as well as regulatory uncertainty surrounding the treatment of CBD.

Internationally, the capacity of cannabis companies to operate is limited to those countries which have legalized aspects of the production, distribution, sale and use of cannabis.

The Company believes that its leadership team, brand strategy, commitment to high quality competitively priced strains, outstanding client service and a properly capitalized operation will enable the Company to establish and retain a leadership position in the market. The Company competes aggressively in terms of product quality, variety and price to differentiate its products, and maintains a focus on client services to retain a solid and sustainable position in the market. See "*Risk Factors – Competition*" for additional information.

Foreign Operations

The Company's international expansion strategy is dependent on its foreign operations and the success thereof, as well as legislative developments in each of those countries.

Employees

As at December 31 2018 AgraFlora had no full-time employees.

1.5 UNITED STATES REGULATORY OVERVIEW

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018 – *Issuers with U.S. Marijuana-Related Activities* (“**Staff Notice 51-352**”), below is a discussion of the federal and state-level U.S. regulatory regimes in general detail.

In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. Any non-compliance, citations or notices of violation which may have an impact on the Company's license, business activities or operations will be promptly disclosed by the Company.

Regulation of Cannabis in the United States

In the United States, cannabis is largely regulated at the state level. To the Company's knowledge, there are to date a total of 33 states, and the District of Columbia, that have now legalized cannabis in some form, including California, Nevada, New York, New Jersey, Washington and Florida. Investors are cautioned that, notwithstanding the permissive regulatory environment of cannabis in certain states, cannabis continues to be categorized as a controlled substance under the CSA and, as such, cultivation, distribution, sale and possession of cannabis violates federal law in the United States. The inconsistency between federal and state laws and regulations is a major risk factor.

As a result of the Sessions Memorandum, federal prosecutors have prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities and, as a result, it is uncertain how active federal prosecutors will be in relation to such activities. There can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

On January 15, 2019, U.S. Attorney General William P. Barr intimated a markedly different approach to cannabis regulation than his predecessor during his confirmation hearing before the Senate Judiciary Committee. Mr. Barr stated that his approach to cannabis regulation would be not to upset settled expectations that have arisen as a result of the Cole Memorandum, that it would be inappropriate to upset the current situation as there has been reliance on the Cole Memorandum and that he would not be targeting companies that have relied on the Cole Memorandum and are complying with state laws with respect to the distribution and production of cannabis. While he did not offer support for cannabis legalization, Mr. Barr did emphasize the need for the U.S. Congress to clarify federal laws to address the untenable current situation which has resulted in a backdoor nullification of federal law.

While state law in such U.S. states as California and Colorado may take a permissive approach to medical and/or recreational use of cannabis, the CSA may still be enforced by U.S. federal law enforcement officials against individuals and companies operating in those states for activity that is legal under state law. If the Department of Justice opted to pursue a policy of aggressively enforcing U.S. federal law against financiers or equity owners of cannabis-related businesses, then both Acreage and TerrAscend, for instance, could face (i) seizure of their cash and other assets used to support or derived from their business activities; and/or (ii) the arrest of its employees, directors, officers, managers and/or investors, who could face charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis. In addition, under such an aggressive enforcement policy, the Department of Justice could allege that the Company and the Company's Board of Directors, and potentially its shareholders, “aided and abetted” violations of federal law as a result of the Acreage arrangement or other transactions involving the Company. In these circumstances, the Company may lose its entire investment and directors, officers and/or its shareholders may be required to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings initiated by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or

divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on the TSX, NYSE or other exchanges, its financial position, operating results, profitability or liquidity or the market price of its listed securities. Overall, an investor's contribution to and involvement in the Company's activities may result in federal civil and/or criminal prosecution, including forfeiture of his or her entire investment. 2018 Farm Bill Risks

The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, and cosmetics, among other products, through its enforcement authority pursuant to the FDCA. The FDA's responsibilities include regulating ingredients in, as well as the marketing and labeling of, drugs sold in interstate commerce.

If cannabis or THC or CBD derived from cannabis are re-categorized as Schedule II or lower controlled substances, the ability to conduct research on the medical benefits of cannabis would most likely be improved; however, rescheduling cannabis, THC or CBD derived from cannabis may materially alter enforcement policies across many federal agencies, primarily the FDA. Because cannabis is federally illegal to produce and sell, and because it has no federally recognized medical uses, the FDA has historically deferred enforcement related to cannabis to the DEA; however, the FDA has enforced the FDCA with regard to industrial hemp-derived products, especially CBD derived from industrial hemp, sold outside of state-regulated cannabis businesses. If cannabis or THC or CBD derived from cannabis were to be rescheduled as federally controlled, yet legal, substances, the FDA would likely play a more active regulatory role. Further, in the event that the pharmaceutical industry directly competes with state regulated cannabis businesses for market share, as could potentially occur with rescheduling, the pharmaceutical industry may urge the DEA, FDA and others to enforce the CSA and FDCA against businesses that comply with state but not federal law.

On December 20, 2018, the 2018 Farm Bill was signed into law. The 2018 Farm Bill, among other things, removes industrial hemp and its cannabidiols, including CBD derived from industrial hemp, from the CSA and amends the *Agricultural Marketing Act* of 1946 to allow for industrial hemp production and sale in the United States. Under the 2018 Farm Bill, industrial hemp is defined as "the plant *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis." The U.S. Department of Agriculture has been tasked with promulgating regulations for the industrial hemp industry, which, among other things, requires the Department of Agriculture to review and approve any state-promulgated regulations relating to industrial hemp. Until such time as the Department of Agriculture approves a state's industrial hemp regulations, commercial sale of industrial hemp may not be permissible. In addition, the growth of hemp and the manufacturing, sale and distribution of hemp-derived products may still be illegal pursuant to state law. The timing of such Department of Agriculture regulations cannot be assured. Further, under the 2018 Farm Bill, the FDA has retained authority over the addition of CBD to products that fall within the FDCA. There can be no assurance that the FDA will approve CBD as an additive to products under the FDCA. It is not yet known what role the FDA will have in regulating industrial hemp and CBD derived from industrial hemp.

The potential for multi-agency enforcement post-rescheduling of cannabis and post-removal of industrial hemp from the CSA could threaten or have a materially adverse effect on the Company's operations of existing state-legal cannabis businesses, including Acreage.

Entry Bans into the United States

Cannabis remains illegal under U.S. federal law. Individuals employed at or investing in cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with cannabis businesses. Entry to the U.S. is granted at the sole discretion of CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers that previous use of cannabis, or any substance prohibited by U.S. federal laws, could result in denial of entry to the U.S. Business or financial involvement in the cannabis industry in Canada or in the U.S. could also be reason enough for CBP officers to deny entry. On September 21, 2018, CBP released a statement outlining its position with respect to enforcement of the laws of the U.S. It stated that Canada's legalization of cannabis will not change CBP enforcement of U.S. laws regarding controlled substances and because cannabis continues to be a controlled substance under U.S. law, working in or facilitating the proliferation of the cannabis industry in U.S. states or Canada may affect admissibility to the U.S. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the U.S. for reasons unrelated to the cannabis industry will generally be admissible to the U.S.; however, if such person is found to be coming into the U.S. for reasons related to the cannabis industry, such person may be deemed inadmissible. Employees, directors, officers, managers and investors of companies involved in business activities related to

cannabis in the U.S. or Canada (such as AgraFlora), who are not U.S. citizens, face the risk of being barred from entry into the U.S. for life.

1.6 RISK FACTORS

There are a number of risk factors that could cause future results to differ materially from those described herein. The risks and uncertainties described herein are not the only ones that the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business. If any of the following risks actually occur, the Company's business may be harmed, and its financial condition and results of operations may suffer significantly.

Plant Growing, Warehousing and Processing Industry

The plant growing, warehousing and food processing industry involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the development of such facilities may result in substantial rewards, marketing will also play a significant role in developing the Company and its level of success. Major expenses may be required to establish the facilities to be accepted in the marketplace. It is impossible to ensure that the current facilities and market strategy planned by the Company will result in profitable commercial sales. Whether the Company will be commercially viable depends on a number of factors, some of which are the particular attributes of the industry the facilities is geared toward and the existing infrastructure, as well as competitors' strategies and market factors. Some of these factors are cyclical and government regulated, including regulations relating to agriculture and food processing procedures and protocols. Plant Growing, Warehousing and Processing Industry The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. Agriculture and food processing operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the public health sectors inherited in the agriculture and food processing industry. Although adequate precautions to minimize risk will be taken, operations are subject to hazards that are unforeseeable or beyond the company's control and their consequent liability.

If a significant portion of these development efforts are not successfully completed, required regulatory approvals are not obtained, or any approved facilities are not commercially successful, the company's business, financial condition, and results of operations may be materially harmed.

The Company's facilities may never achieve market acceptance even if the company obtains regulatory approvals. The Company's activities are directed towards the warehousing and processing of agriculture and food. There is no certainty that any expenditure to be made by the Company as described herein will result in market acceptance of the Company's facilities offerings. There is aggressive competition within the agriculture and food warehousing / processing marketplace. The Company will compete with other interests, many of which have greater financial resources than it will have for marketing towards target customers. Significant capital investment is required to achieve commercialization from the current start-up and development stage of the Company.

Changes in Laws, Regulations and Guidelines

On October 17, 2018, the *Cannabis Act* came into effect. Uncertainty remains, however, with respect to the implementation of the *Cannabis Act* as well as the various provincial and territorial regimes governing the distribution and sale of cannabis for recreational purposes. The impact of these laws, regulations and guidelines on the Company's business, including increased costs of compliance and other potential risks, remain uncertain and, accordingly, may cause the Company to experience adverse effects.

The Canadian federal regulatory regime requires plain packaging in order to prohibit testimonials, lifestyle branding and packaging that is appealing to youth. The restriction on the use of logos and brand names on cannabis products could have a material adverse impact on the Company's business, financial condition and results of operations, as it may be difficult to establish brand loyalty. In addition, the *Cannabis Act* allows for Licenses to be granted for outdoor cultivation, which may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices, as capital expenditure requirements related to outdoor growing are typically much lower than those associated with indoor growing. Such results may also have a material adverse impact on the Company's business, financial condition and results of operation of the Company.

There is no guarantee that provincial legislation regulating the retail distribution and sale of cannabis for adult use purposes will remain unchanged or that it will be implemented in a way that is favourable to the Company. It is possible for significant legislative amendments to be enacted in each province to address any current or future regulatory issues or perceived inadequacies in the distribution of cannabis. There is no guarantee that provincial or

territorial legislation regulating the distribution and sale of cannabis for recreational purposes will create the growth opportunities that are currently anticipated by the Company.

To date, only fresh cannabis, dried cannabis and cannabis oil products are permitted for sale in Canada. Pursuant to the *Cannabis Act*, certain classes of cannabis products, such as edibles, concentrates and other ingestibles are currently prohibited from sale, but new regulations under the *Cannabis Act* will come into force on October 17, 2019 to permit edibles, concentrates and other ingestibles to be available for sale no earlier than mid-December 2019. While regulations have been released, the impact of these regulatory changes on the business of the Company is unknown, and the proposed regulations may not be implemented at all or, if they are, may change significantly.

Compliance with Laws

The Company's operations are subject to various laws, regulations and guidelines that may change over time. The Company will endeavour to comply with all relevant laws, regulations and guidelines at all times but may not maintain internal policies and procedures adequate to ensure compliance with the various laws, regulations and guidelines to which they are subject. There is also a risk that the Company's interpretation of laws, regulations and guidelines, including, but not limited to, the *Cannabis Act*, the associated regulations, various U.S. state regulations and applicable stock exchange rules and regulations, may differ from those of others, including those of government authorities, securities regulators and exchanges, and the Company's operations may not be in compliance with such laws, regulations and guidelines. While the Company may be compliant today, it may not be compliant following changes to any laws, regulations or guidelines. In addition, achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and, where necessary, obtaining regulatory approvals. The impact of regulatory compliance regimes, and the impact of any delays in obtaining or failures to obtain regulatory approvals required by the Company may significantly delay or impact the development of the Company's business and operations and could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, any potential noncompliance could cause the Company's business, financial condition and results of operations to be adversely affected. Further, any amendment to or replacement of the *Cannabis Act* or other applicable rules and regulations governing the Company's activities may cause adverse effects on AgraFlora's business, financial condition and results of operations. The risks to the Company's business associated with any amendment or replacement of the *Cannabis Act* or any subsequent regulatory changes in Canada or the United States could reduce the available market for products or services and could materially and adversely affect the Company's business, financial condition and results of operations.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws and regulations may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures or remedial actions. The Company may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, court rulings or more stringent application of existing laws or regulations, may have a material adverse impact on the Company, resulting in increased capital expenditures or production costs, reduced levels of cannabis production or abandonment or delays in the development of facilities, or other significant changes in the Company's business plans, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules in any of the countries in which the Company may operate could result in an increase in the Company's taxes, other governmental charges, duties or impositions. No assurance can be given that new tax laws, regulations or rules will not be enacted or that existing tax laws, regulations or rules will not be changed, interpreted or applied in a manner which could result in the Company's profits being subject to additional taxation or which could otherwise have a material adverse effect on AgraFlora.

Due to the complexity and nature of the Company's operations, various legal and tax proceedings may be in progress from time to time. If the Company is unable to resolve any of these proceedings favourably, there may be a material adverse effects on AgraFlora.

Government Regulation

In addition to various trade organizations that the Company will be subject to, the consumer agriculture and food warehousing / processing industry is subject to various federal, and provincial laws and regulations on, standards, claims, safety, efficacy and other matters from regulatory bodies such as Canadian Food Inspection Agency (CFIA), BC FoodSafe Program and the department of Health Protection in Fraser Health. Regulatory approvals by government agencies on the Company's facilities may be withheld or not granted at all and if granted may be subject

to recalls which would materially affect the Company. Although the Company's activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail development, production, manufacture, product claims, marketing or commercialization. Amendments to current laws and regulations governing operations and activities of the consumer health industry or more stringent implementation thereof could have a substantial adverse impact on the Company.

International Laws

Cannabis-related financial transactions are subject to a variety of laws that vary by jurisdiction, many of which are unsettled and still developing. While the interpretations of these laws are unclear, in some jurisdictions, financial benefit, directly or indirectly, arising from conduct that would be considered unlawful in such jurisdiction may be viewed to be within the purview of such laws, and persons receiving any such benefit, including investors in an applicable jurisdiction, may be subject to liability. Each prospective investor should contact his, her or its own legal advisor.

Operational, Regulatory and Other Risks

Cannabis operations generally involve a high degree of risk. The Company is subject to the hazards and risks normally encountered in the cannabis industry. Should the Company be affected by any of these risks or hazards, it may (i) cause the cost of development or production to increase to a point where it would no longer be economic to produce cannabis, (ii) cause delays or stoppage of operations, (iii) cause personal injury or death and related legal liability, or (iv) result in the loss of insurance coverage. The occurrence of any of these risks or hazards could have a material adverse effect on the Company and the price of the Common Shares.

The Company may continue to expand into other geographic areas, product categories or market segments, which could increase the Company's operational, regulatory, compliance, reputational and foreign exchange rate risks. The failure of the Company's operating infrastructure to support such expansion could result in operational failures and regulatory fines or sanctions. Future international expansion could require the Company to incur a number of up-front expenses, including those associated with obtaining regulatory approvals, as well as additional ongoing expenses, including those associated with infrastructure, staff and regulatory compliance. The Company may not be able to successfully identify suitable acquisitions, investment and/or expansion opportunities or integrate such operations successfully with the Company's existing operations.

Limited Operating History

The Company has a limited history of operations and is in an early stage of development as it attempts to create a global infrastructure to capitalize on the opportunity in the cannabis industry. Accordingly, the Company is subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, other resources, and lack of revenue. The limited operating history may also make it difficult for investors to evaluate the Company's prospects for success. There is no assurance that the Company will be successful and its likelihood of success must be considered in light of its stage of operations.

The Company has a history of net losses, may incur significant net losses in the future and may not achieve or maintain profitability. The Company has also incurred losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase its capital investments and operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, it will not be profitable. There is no assurance that future revenues will be sufficient to generate the funds required to continue operations without external funding.

Uninsured Risks

The Company may carry insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include key person insurance as the company heavily relies on the company officers.

Execution of Business Strategy

An important part of the Company's business strategy involves expanding operations in international markets, including in markets where it currently does not operate. The Company may be unable to pursue this strategy in the future at the desired pace or at all. The Company may be unable to, among other things, identify suitable companies to acquire or invest in; complete acquisitions on satisfactory terms; successfully expand the Company's infrastructure and sales force to support growth; achieve satisfactory returns on acquired companies, particularly in

countries where it does not currently operate; or enter into successful business arrangements for technical assistance or management expertise outside of North America.

The process of integrating acquired businesses, particularly in new markets, may involve unforeseen difficulties, such as loss of key employees, and may require a disproportionate amount of management's attention and financial and other resources. The Company can give no assurance that it will ultimately be able to effectively integrate and manage the operations of any acquired business or realize anticipated synergies. The failure to successfully integrate the cultures, operating systems, procedures and information technologies of an acquired business could have a material adverse effect on the Company's business, financial condition or results of operations.

If the Company succeeds in expanding its existing businesses, that expansion may place increased demands on management, operating systems, internal controls and financial and physical resources. If not managed effectively, these increased demands may adversely affect the services provided to customers. In addition, the Company's personnel, systems, procedures and controls may be inadequate to support future operations, particularly with respect to operations in countries outside of North America. Consequently, in order to manage growth effectively, the Company may be required to increase expenditures to increase its physical resources, expand, train and manage its employee base, improve management, financial and information systems and controls, or make other capital expenditures. The Company's business, financial condition and results of operations could be adversely effected if it encounters difficulties in effectively managing the budgeting, forecasting and other process control issues presented by future growth.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on internal systems and controls. The Company's ability 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 Company's inability to deal with this growth may have a material adverse effect on its business, financial condition, results of operations and growth prospects.

Reliance on Management

The success of the Company 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 the Company's business, operating results, or financial condition.

Difficulty to Forecast

The Company will need to rely largely on its own market research to forecast industry trends and statistics as detailed forecasts are, with certain exceptions, not generally available from other sources at this early stage of the cannabis industry. A failure in the demand for the Company's products to materialize as a result of competition, technological change, change in the regulatory or legal landscape or other factors could have a material adverse effect the Company's business, financial condition and results of operations.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers, directors and consultants may be engaged in a range of business activities. The Company's executive officers, directors and consultants may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to AgraFlora. In some cases, the Company's executive officers, directors and consultants may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect its operations. These business interests could require significant time and attention of the Company's executive officers, directors and consultants.

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

such participation or such terms. In accordance with applicable laws, the Company's directors are required to act honestly, in good faith and in the best interests of AgraFlora.

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

Litigation

The Company its subsidiaries may from time to time be involved in various claims, legal proceedings and disputes arising in the ordinary course of business. If the Company is unable to resolve these disputes favourably, it may have a material adverse effect on the Company or its subsidiaries. Even if the Company or its subsidiaries is involved in litigation and wins, litigation can redirect significant resources. Litigation may also create a negative perception of the Company or its subsidiaries. Securities litigation could result in substantial costs and damages and divert management's attention and resources. Any decision resulting from any such litigation that is adverse to the Company or its subsidiaries could have a negative impact on its financial position.

Competition

There is potential that its subsidiaries 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 the Company and its subsidiaries. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of its subsidiaries and the Company.

Because of the early stage of the industry in which the Company and its subsidiaries operates, the Company and its subsidiaries 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 the Company and its subsidiaries expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company and its subsidiaries will require a continued high level of investment in research and development, marketing, sales, and client support. The Company and its subsidiaries 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 the Company and its subsidiaries.

As the recreational cannabis market continues to mature, consumers that once solely relied on the medical cannabis market may shift some, or all, of their consumption away from medical cannabis and towards recreational cannabis, resulting in increased levels of competition in the medical cannabis market. As the recreational cannabis market continues to mature, the entry of new competitors may also increase the level of competition in the cannabis market as a whole. This increase in competition may have a negative impact on the Company's business.

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and greater financial resources. Increased competition by larger and better financed competitors could materially and adversely affect the Company's business, financial condition and results of operations. The Company may not be able to enter into supply agreements or negotiate favourable prices. If the Company is unable to achieve its business objectives, such failure could materially and adversely affect the Company's business, financial condition and results of operations. Moreover, competitive factors may result in the Company being unable to enter into desirable arrangements with new partners, to recruit or retain qualified employees or to acquire the capital necessary to fund its capital investments.

The Government of Canada has only issued a limited number of Licences to cultivate and/or process cannabis under the *Cannabis Act*. There are also numerous applicants for Licences. The number of Licences granted could have an impact on the Company's operations. The Company may also face competition from illegal cannabis dispensaries that are selling cannabis to individuals despite not having a valid Licence. Despite raids of dispensaries, many dispensaries are still in operation, providing additional competition.

If the number of users of medical and/or recreational cannabis increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. Additionally, the legal landscape for medical and recreational cannabis is changing internationally. More countries have passed laws that allow for the production and distribution of medical cannabis in some form or another, and some of these countries may pass laws allowing for the production and distribution of recreational cannabis as well. Increased international competition could materially adversely affect the Company's business, operations or growth prospects.

Reputational Risk

The Company believes that the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory proceedings, litigation, media attention and other publicity regarding the consumption of cannabis 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 cannabis market or any particular product, or consistent with currently held views. 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 cannabis industry and demand for its products and services, which could affect the Company's business, financial condition and results of operations and cash flows. The Company's dependence upon consumer perception 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 the Company, its business, financial condition, results of operations and cash flows. Further, adverse publicity, reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Company's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have 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 legally, appropriately, or as directed.

In addition, parties outside of the cannabis industry with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's cannabis related business activities. For example, the Company could receive a notification from a financial institution advising it that they would no longer maintain banking relationships with those in the cannabis industry. The Company may, in the future, have difficulty establishing or maintaining bank accounts or other business relationships that it needs to operate its business. Failure to establish or maintain business relationships could have a material adverse effect on AgraFlora.

Stock Exchange Restrictions

The Company is subject to restrictions from the exchanges on which the Common Shares are listed which may constrain the Company's ability to expand its business internationally. The Company must comply with the CSE guidelines when conducting business, especially when pursuing international opportunities in the United States.

Risks Associated with Divestment and Restructuring

In certain circumstances, the Company may decide, or be required, to divest certain of its interests. In particular, if any of the Company's interests give rise to a violation of any applicable laws and regulations, including United States federal law, the Company may be required to divest its interest or risk significant fines, penalties, administrative sanctions, convictions, settlements or delisting from the CSE. There is no assurance that these divestitures will be completed on terms favourable to the Company, or at all. Any opportunities resulting from these divestitures, and the anticipated effects of these divestitures on the Company may never be realized or may not be realized to the extent the Company anticipates. Not all of the Company's interests are liquid, and such interests may be difficult to dispose of and subject to illiquidity discounts on divestiture. Any required divestiture or an actual or perceived violation of applicable laws or regulations by the Company could have a material adverse effect on the Company, including on its reputation and ability to conduct business, the listing of the Common Shares on the CSE, the Company's financial position, operating results, profitability or liquidity or the market price of the Common Shares. In addition, it is difficult for the Company to estimate the time or resources that may be required for the investigation of any such matter or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

If the Company decides, or is required, to restructure its interests to remain in compliance with laws or stock exchange requirements, such restructuring could result in the write-down of the value of the Company's interests, which could have a material adverse effect on its business, financial condition and results of operations.

Reliance on Licences

The Company is dependent on its existing Licences in order to grow, store and sell cannabis. These Licences are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of these Licences could have a material adverse impact on the Company's business, financial condition and operating results. There can be no guarantee that a Licence will be extended or renewed or, if extended or renewed, that they will be extended or renewed on terms that are favourable to the Company. Should a Licence not be extended or renewed or

should it be extended or renewed on terms that are less favourable to the Company than anticipated, its business, financial condition and results of the operations could be materially adversely affected.

In addition, the Company's ability grow its business is dependent on securing and maintaining certain new licences, particularly retail licences and licences in international jurisdictions. Failure to comply with the requirements of any licence application or failure to obtain and maintain the appropriate licences with the relevant authorities would have a material adverse impact on the Company's business, financial condition and results of operations. There can be no guarantees that regulatory authorities will issue the required licences.

Reliance on Facilities

The Licences held by the Company are specific to individual facilities. Adverse changes or developments affecting any facility, including but not limited to a breach of security, could have a material and adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by government regulators, could also have an impact on the Company's ability to continue operating under its Licences or the prospect of renewing its Licences.

All facilities continue to operate with routine maintenance. The Company will bear many, if not all, of the costs of maintenance and upkeep of the facilities, including replacement of components over time. The Company's operations and financial performance may be adversely affected if it is unable to keep up with maintenance requirements.

Certain contemplated capital expenditures in Canada, including the construction of additional growing rooms and the expansion of cannabis oil extraction capacity, will require Health Canada approval. There is no guarantee that Health Canada will approve the contemplated expansion and/or renovation, which could adversely affect the Company's business, financial condition and results of operations.

Dependence upon Key Personnel

The Company's success is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management (the "Key Personnel"). The Company's future success depends on its continuing ability to attract, develop, motivate, and retain the Key Personnel. Qualified individuals for Key Personnel positions are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of Key Personnel, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. While employment and consulting agreements are customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such individuals and consultants.

In addition, certain individuals occupying a "key position" with License Holders such as directors, officers, large shareholders and individuals identified by the Minister must hold a valid security clearance issued by the Minister. There is no assurance that any existing personnel who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. A failure by an individual in a key operational position to maintain or renew his or her security clearance could result in a reduction or complete suspension of certain operations. In addition, if an individual in a key operational position leaves and the Company is unable to find a suitable replacement who is able to obtain a security clearance in a timely manner, or at all, the Company may not be able to conduct its operations at planned production volume levels or at all, which could result in a material adverse effect on the Company's business, financial condition and results of operations.

Factors which may prevent realization of growth targets

The Company and its subsidiaries are currently in the early development stage. The Company and its subsidiaries growth strategy contemplates outfitting the Delta Facility and the AAA Heidelberg 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 the Company and its subsidiaries may not have product or sufficient product available for shipment to meet the anticipated demand or to meet future demand when it arises.

Reliance on Key Inputs

The Company is dependent on a number of key inputs and their related costs, including raw materials and supplies related to their growing operations, as well as electricity, water and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the Company's financial condition and operating results. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the Company's business, financial condition and operating results.

Unfavorable Publicity or Consumer Perception

The Company 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 the Company'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 the Company's products and the business, results of operations, financial condition and cash flows of its subsidiaries and the Company are dependent 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 its subsidiaries and the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of its subsidiaries 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 the Company and its subsidiaries 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.

Vulnerability to Rising Energy Costs

The Company and its subsidiaries medical marijuana growing operations consume considerable energy, making the Company and its subsidiaries vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its subsidiaries and its ability to operate profitably.

Dependence on Suppliers and Skilled Labour

The ability of the Company 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 the Company 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 the Company's capital expenditure program may be significantly greater than anticipated by the Company's management, and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of the Company.

Risks Inherent in an Agricultural Business

The Company and its subsidiaries 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 the Company and its subsidiaries 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.

Significant increases or decreases in the total harvest will impact the sales of the Company's products and, consequently, the profits and results of the Company's operations. High degrees of quality variance can also affect processing velocity and capacity utilization, as the processes required to potentially upgrade lower or more variable quality product can slow overall processing times. There can be no assurance that natural elements will not have a material adverse effect on the production of products by AgraFlora.

Transportation Risks

Due to the perishable and premium nature of the Company and its subsidiaries products, the Company and its subsidiaries 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 the Company and its subsidiaries. Rising costs associated with the courier services used by the Company and its subsidiaries to ship its products may also adversely impact the business of the Company and its subsidiaries and its ability to operate profitably.

Wholesale Price Volatility

The cannabis industry is a margin-based business in which gross profits depend on the excess of sales prices over costs. Consequently, profitability is sensitive to fluctuations in wholesale and retail prices caused by changes in supply (which itself depends on other factors such as weather, fuel, equipment and labour costs, shipping costs, economic situation and demand), taxes, government programs and policies for the cannabis industry (including price controls and wholesale price restrictions that may be imposed by government agencies responsible for the sale of cannabis), and other market conditions, all of which are factors beyond the control of the Company. The Company's operating income may be significantly and adversely affected by a decline in the price of cannabis and will be sensitive to changes in the price of cannabis and the overall condition of the cannabis industry, as the Company's profitability is directly related to the price of cannabis. There is currently not an established market price for cannabis and the price of cannabis is affected by numerous factors beyond the Company's control. Any price decline may have a material adverse effect on the Company.

Insurance Risks

The Company and its subsidiaries has insurance to protect its assets, operations, and employees. While the Company and its subsidiaries 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 the Company and its subsidiaries is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company and its subsidiaries liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company and its subsidiaries were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company and its subsidiaries 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.

Environmental and Employee Health and Safety Regulations

the Company and its subsidiaries 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. Accordingly, the Company and its subsidiaries 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 costs for corrective measures, penalties or restrictions on the Company and its subsidiaries production 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 the Company and its subsidiaries operations or give rise to material liabilities, which could have a material adverse effect on the Company and its subsidiaries business, financial condition and/or results of operations.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company and its subsidiaries 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 cannabis products involves

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 cannabis products alone or in combination with other medications or substances could occur. The Company and its subsidiaries may be subject to various product liability claims, including that its 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 claims or regulatory action against the Company and its subsidiaries could result in increased costs to the Company and its subsidiaries, could adversely affect the Company and its subsidiaries reputation generally, and could have a material adverse effect on the Company and its subsidiaries financial condition and results of operations. There can be no assurances that the Company and its subsidiaries 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 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 the products produced by the Company and its subsidiaries are recalled due to an alleged product defect or for any other reason, the Company and its subsidiaries could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. All customers who are potentially impacted are notified, corrective actions are put in place, and existing product and procedures re-tested and examined. The Company and its subsidiaries may also 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 the Company and its subsidiaries 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 the products produced by the Company and its subsidiaries is subject to recall, the Company and its subsidiaries reputation and the reputation of that product could be harmed. A recall for any of the foregoing reasons could lead to decreased demand and could have a material adverse effect on the Company and its subsidiaries results of operations and financial condition. Additionally, product recalls may lead to increased scrutiny of the Company and its subsidiaries operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses, which may also have an adverse effect on the Company and its subsidiaries.

Customer Acquisitions

The Company's success depends on its ability to attract and retain customers. There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to its ability to continually produce desirable and effective product, the successful implementation of customer-acquisition plans and the continued growth in the aggregate number of customers. The failure to acquire and retain customers would have a material adverse effect on the Company's business, operating results and financial condition.

Contracts with Provincial and Territorial Governments

The Company's current revenues are largely dependent upon its supply contracts with the various Canadian provinces and territories. There are many factors which could impact the Company's contractual agreements with the provinces and territories, including but not limited to availability of supply, product selection and the popularity of the Company's products with retail customers. If the Company's supply agreements with certain Canadian provinces are amended, terminated or otherwise altered, the Company's sales and operating results could be adversely affected, which could have a material adverse effect on the Company's business, operating results and financial condition.

Enforceability of Contracts

Certain contracts entered into by the Company into involve cannabis-related businesses and other activities. In some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

Banking Risks

Cannabis businesses that operate in the U.S. may have difficulty accessing the services of banks and processing credit card payments, which may make it difficult for the Company to operate in the United States. In February 2014, the FCEN issued guidance with respect to financial institutions providing banking services to cannabis

business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defences from examination or regulatory or criminal enforcement actions by the Department of Justice, FCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the U.S. The inability or limitation on the Company's ability to open or maintain bank accounts in the U.S., obtain other banking services and/or accept credit card and debit card payments may make it difficult to operate and conduct its business as planned in the United States.

Constraints on Marketing Products

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing. The regulatory environment in Canada and abroad limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected, which could have a materially adverse effect on the Company.

Risks Inherent in Acquisitions and Investments

The Company may enter into acquisitions or investments with third parties that it believes will complement or augment its existing business. The Company's ability to form strategic alliances is dependent upon, and may be limited by, the availability of suitable candidates and capital. In addition, strategic alliances could present unforeseen integration obstacles or costs, may not enhance the Company's business, and/or may involve risks that could adversely affect the Company, including significant amounts of management time that may be diverted from operations to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the incurrence of additional debt, costs and/or contingent liabilities, and there can be no assurance that future strategic alliances will achieve the expected benefits to the Company's business or that the Company will be able to consummate future strategic alliances on satisfactory terms, or at all.

Unknown Defects and Impairments

A defect in any business arrangement may arise to defeat or impair the Company's claim to such transaction, which may have a material adverse effect on the Company. It is possible that material changes could occur that may adversely affect management's estimate of the recoverable amount for any agreement the Company enters into. Impairment estimates, based on applicable key assumptions and sensitivity analysis, will be based on management's best knowledge of the amounts, events or actions at such time, and the actual future outcomes may differ from any estimates that are provided by the Company. Any impairment charges on the Company's carrying value of business arrangements could have a material adverse effect on the Company.

Expansion into Foreign Jurisdictions

The Company's expansion into jurisdictions outside of Canada is subject to risks. In addition, in jurisdictions outside of Canada, there can be no assurance that any market for the Company's products will develop or be maintained. The Company may face new or unexpected risks or significantly increase its exposure to one or more existing risks, including economic instability, changes in laws and regulations, and the effects of competition. These factors may limit the Company's ability to successfully expand its operations into such jurisdictions and may have a material adverse effect on the Company's business, financial condition and results of operations.

Governmental Regulations

Cannabis operations are subject to extensive laws and regulations. The costs of compliance with such laws and regulations are significant. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that the Company would not continue to develop or operate its businesses. Moreover, it is possible that future regulatory developments could result in substantial costs and liabilities for the Company in the future such that it would not continue to develop or operate its business. In addition, the Company is subject to various laws, regulations and guidelines, including, but not limited to the *Cannabis Act* and applicable stock exchange rules and regulations.

Operations in Emerging Markets

The Company has operations in various emerging markets and may have operations in additional emerging markets in the future. Such operations expose the Company to the socio-economic conditions as well as the laws governing the cannabis industry in such countries. Inherent risks with conducting foreign operations include, but are not limited

to: high rates of inflation; extreme fluctuations in currency exchange rates, military repression; war or civil war; social and labour unrest; organized crime; hostage taking; terrorism; violent crime; expropriation and nationalization; renegotiation or nullification of existing licences, approvals, permits and contracts; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political norms, banking and currency controls and governmental regulations that favour or require the Company to award contracts in, employ citizens of, or purchase supplies from, the jurisdiction.

Governments in certain foreign jurisdictions intervene in their economies, sometimes frequently, and occasionally make significant changes in policies and regulations. Changes, if any, in cannabis industry policies or shifts in political attitude in the countries in which the Company operates may adversely affect its operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, importation of product and supplies, income and other taxes, royalties, the repatriation of profits, expropriation of property, foreign investment, maintenance of licences, approvals and permits, environmental matters, land use, land claims of local people, water use and workplace safety. Failure to comply strictly with applicable laws, regulations and local practices could result in loss, reduction or expropriation of licences, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The Company continues to monitor developments and policies in the emerging markets in which it operates and assess the impact thereof to its operations; however, such developments cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

Corruption and Fraud

There are uncertainties, corruption and fraud relating to title ownership of real property in certain emerging markets in which the Company operates or may operate. Property disputes over title ownership are frequent in emerging markets, and, as a result, there is a risk that errors, fraud or challenges could adversely affect the Company's ability to operate in such jurisdictions. Any of the foregoing risks and uncertainties could have a material adverse effect on the Company's business, financial condition and results of operations.

Inflation

In the past, high levels of inflation have adversely affected emerging economies and financial markets, and the ability of government to create conditions that stimulate or maintain economic growth. Moreover, governmental measures to curb inflation and speculation about possible future governmental measures have contributed to the negative economic impact of inflation and have created general economic uncertainty. The emerging markets in which the Company operates or may operate may experience high levels of inflation in the future. Inflationary pressures may weaken investor confidence in such countries and lead to further government intervention in the economy. If countries in which the Company operates experiences high levels of inflation in the future and/or price controls are imposed, the Company may not be able to adjust the rates charged to customers to fully offset the impact of inflation on its cost structures, which could adversely affect the Company's financial condition or results of operations.

Restrictions on the Acquisition or Use of Properties by Foreign Investors

Non-resident individuals and legal entities operating in foreign jurisdictions may be subject to restrictions on the acquisition or lease of properties in certain emerging markets. Limitations also apply in certain countries to legal entities domiciled in such countries which are controlled by foreign investors, such as the Company. Accordingly, the Company's current and future operations may be impaired as a result of such restrictions on the acquisition or use of property, and its ownership or access rights in respect of any property it owns or leases in such jurisdictions may be subject to legal challenges, any of which could result in a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Reliance on International Advisors and Consultants

The legal and regulatory requirements in the foreign countries in which the Company operates with respect to the cultivation and sale of cannabis, banking systems and controls, as well as local business culture and practices are different from those in Canada. The Company's officers and directors must rely, to a great extent, on local legal counsel and consultants in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect the Company's business operations, and to assist with governmental relations. The Company must rely, to some extent, on those members of management and the Board of Directors who have previous experience working and conducting business in these countries, if any, in order to enhance its understanding of and appreciation for the local business culture and practices. The Company also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of

the cultivation and sale of cannabis as well as in respect of banking, financing, labour, litigation and tax matters in these jurisdictions. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond the Company's control. The impact of any such changes may adversely affect the Company's business.

Anti-Money Laundering Laws and Regulation Risks

The Company is subject to a variety of domestic and international laws and regulations pertaining to money laundering, financial recordkeeping and proceeds of crime, including the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities internationally.

In the event that any of the Company's operations or investments, any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations or investments were found to be in violation of money laundering legislation, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the Company's ability to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends in the foreseeable future, in the event that a determination was made that proceeds obtained by the Company could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Anti-Bribery Law Violations

The Company's business is subject to Canadian laws which generally prohibit companies and employees from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. In addition, the Company is or will be subject to the anti-bribery laws of any other countries in which it conducts business now or in the future. The Company's employees or other agents may, without its knowledge and despite its efforts, engage in prohibited conduct under the Company's policies and procedures and anti-bribery laws for which the Company may be held responsible. The Company's policies mandate compliance with these anti-corruption and anti-bribery laws. However, there can be no assurance that the Company's internal control policies and procedures will always protect it from recklessness, fraudulent behavior, dishonesty or other inappropriate acts committed by its affiliates, employees, contractors or agents. If the Company's employees or other agents are found to have engaged in such practices, the Company could suffer severe penalties and other consequences that may have a material adverse effect on its business, financial condition and results of operations.

Future Sales or Issuances of Securities

The Company may sell additional equity securities in subsequent offerings (including through the sale of securities convertible into equity securities). The Company cannot predict the size of future issuances of equity securities or the size and terms of future issuances of debt instruments or other securities convertible into equity securities or the effect, if any, that future issuances and sales of its securities will have on the market price of the Common Shares that may be issued in the future.

Additional issuances of the Company's securities may involve the issuance of a significant number of Common Shares at prices less than the current market price for the Common Shares. Issuances of a substantial number of Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices of the Common Shares. Any transaction involving the issuance of previously authorized but unissued Common Shares, or securities convertible into Common Shares, would result in dilution, possibly substantial, to security holders.

Sales of substantial amounts of the Company's securities by the Company's shareholders could adversely affect the prevailing market prices for the securities and dilute investors' earnings per share. Exercises of presently outstanding share options or warrants may also result in dilution to security holders. A decline in the market prices of the Company's securities could impair the Company's ability to raise additional capital through the sale of securities should it desire to do so.

Liquidity and Additional Financing

The building and operation of the Delta Facility and the AAA Heidelberg's facilities and business are capital intensive. In order to execute the anticipated growth strategy, the Company and its subsidiaries 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 the Company and its subsidiaries when needed or on terms which are acceptable. The

Company and its subsidiaries inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit the Company and its subsidiaries growth and may have a material adverse effect upon future profitability. the Company and its subsidiaries may require additional financing to fund its operations to the point where it is generating positive cash flows.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other Companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Market Price of Securities

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Securities of companies in the cannabis industry have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include global economic developments and market perceptions of the cannabis industry. There can be no assurance that continuing fluctuations in price will not occur. The market price per Common Share is also likely to be affected by changes in the Company's financial condition or results of operations. Other factors unrelated to the Company's performance that may have an effect on the price of the Common Shares include the following: lessening in trading volume and general market interest in the Company's securities may affect a purchaser's ability to trade significant numbers of Common Shares and the size of the Company's public float, may limit the ability of some institutions to invest in the Company's securities.

Increased Volatility for Dual Listed Common Shares

The Company's listing of shares on the CSE may increase price volatility due to various factors, including the ability to buy or sell Common Shares, different market conditions in different capital markets and different trading volumes. In addition, low trading volume may increase the price volatility of the Common Shares.

Market for Securities

The Company's shareholders may be unable to sell significant quantities of Common Shares into the public markets without a significant reduction in the price of the Common Shares, or at all. There can be no assurance that there will be sufficient liquidity of the Common Shares, nor that AgraFlora will continue to meet the listing requirements of the CSE or achieve listing on any other recognized stock exchange.

Dividend

The declaration, timing, amount and payment of dividends are at the discretion of the Company's Board of Directors and will depend upon the Company's future earnings, cash flows, acquisition capital requirements and financial condition, and other relevant factors. There can be no assurance that the Company will declare a dividend on a quarterly, annual or other basis, or at all. The Company has no plans to pay any dividends, now or in the near future.

CSE Listing

The Company must meet continuing listing requirements to maintain the listing of the common shares on the CSE. The inability to meet the continuing listing requirements could adversely affect the results of the Company's operations or its financial condition.

Obligations as a Public Company

The Company's business is subject to evolving corporate governance and public disclosure regulations that may from time to time increase both the Company's compliance costs and the risk of noncompliance, which could adversely impact the price of the Common Shares.

The Company is subject to changing rules and regulations promulgated by a number of governmental and self-regulated organizations, including, but not limited to, the Canadian Securities Administrators, the CSE and other regulatory bodies.

Cybersecurity and Privacy Risks

The Company's information systems and any third-party service providers and vendors are vulnerable to an increasing threat of continually evolving cybersecurity risks. These risks may take the form of malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of the respective organizations. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapid evolving nature of the threats, targets and consequences. Additionally, unauthorized parties may attempt to gain access to these systems through fraud or other means of deceiving third-party service providers, employees or vendors. The Company's operations depend, in part, on how well networks, equipment, IT systems and software are protected against damage from a number of threats. These operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. However, if the Company is unable or delayed in maintaining, upgrading or replacing IT systems and software, the risk of a cybersecurity incident could materially increase. Any of these and other events could result in information system failures, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company may collect and store certain personal information about customers and are responsible for protecting such information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. In addition, theft of data is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such privacy breach or theft could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, there are a number of laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information, including the privacy rules under PIPEDA. If the Company were found to be in violation of the privacy or security rules under PIPEDA or other laws protecting the confidentiality of medical cannabis patient health information, the Company could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the Company's business, financial condition and results of operations.

Intellectual Property

The ownership and protection of the Company's trademarks, patents, trade secrets and intellectual property rights are significant aspects of its future success. Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products and technology. Policing the unauthorized use of current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as the Company may be unable to effectively monitor and evaluate the intellectual property used by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect the Company's business, financial condition and results of operations.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licenses from third parties who allege that the Company has infringed on their lawful rights. However, such licenses may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

Federal protection of trademarks may be difficult or impossible for the Company to obtain in the United States, given the federal illegality of cannabis and the necessity of making "lawful use" of the trademark in commerce to obtain federal protection. While state-level protection is available, this nevertheless increases the risks in protecting the Company's brands until such time as the CSA is amended by federal legislation.

Challenging Global Financial Conditions

In recent years, global financial conditions have faced arguably increased volatility, with such volatility having caused significant financial institutions to, among other things, go into bankruptcy or be rescued by governmental authorities. Future events could cause global financial conditions to suddenly and rapidly destabilize, and governmental authorities may have limited resources to respond to such future crises. Further, global capital markets have displayed arguably increased volatility in response to global events. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. Any sudden or rapid destabilization of global economic conditions could negatively impact the Company's ability to obtain equity or debt financing or make other suitable arrangements to finance its projects. If increased levels of volatility continue or there is a rapid destabilization of global economic conditions, it may result in a material adverse effect on the Company and the price of the Common Shares could be adversely affected.

Credit and Liquidity Risk

The Company will be exposed to counterparty risks and liquidity risks including, but not limited to: (i) through financial institutions that may hold the Company's cash and cash equivalents; (ii) through companies that will have payables to the Company; (iii) through the Company's insurance providers; and (iv) through the Company's lenders, if any. These factors may impact the Company's ability to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to it. If these risks materialize, the Company's operations could be adversely impacted and the price of the Common Shares could be adversely affected.

Hedging Risk

The Company may hedge or enter into forward sales of its forecasted right to purchase cannabis. Hedging involves certain inherent risks including: (i) credit risk - the risk that the creditworthiness of a counterparty may adversely affect its ability to perform its payment and other obligations under its agreement with the Company or adversely affect the financial and other terms the counterparty is able to offer the Company; (ii) market liquidity risk - the risk that the Company has entered into a hedging position that cannot be closed out quickly, by either liquidating such hedging instrument or by establishing an offsetting position; and (iii) unrealized fair value adjustment risk — the risk that, in respect of certain hedging products, an adverse change in market prices for cannabis will result in the Company incurring losses in respect of such hedging products as a result of the hedging products being out-of-the-money on their settlement dates.

There can be no assurance that a hedging program designed to reduce the risks associated with price fluctuations will be successful. Although hedging may protect the Company from adverse changes in price fluctuations, it may also prevent the Company from fully benefitting from positive changes in price fluctuations.

DIVIDENDS AND DISTRIBUTIONS

Although the Board of Directors of the Company (is permitted to declare dividends on the Common Shares from time to time out of available funds, it is the current policy of the Board to reinvest any profits in the development and advancement of the Company's business. No dividends have been declared on the Common Shares in the three most recently completed financial years.

DESCRIPTION OF CAPITAL STRUCTURE

1.7 GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of Common Shares. As of the date of this AIF, there are 851,086,329 Common Shares issued and outstanding. In addition, as of the date of this AIF, there were 41,900,000 Common Shares issuable on the exercise of stock options, and 135,992,693 Common Shares issuable on the exercise of Common Share purchase warrants.

Holders of Common Shares are entitled to receive notice of any meetings of shareholders of AgraFlora and to attend and cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive on a pro-rata basis such dividends, if any, as and when declared by the Company's Board of Directors at its discretion from funds legally available therefor and upon the liquidation, dissolution or winding up of AgraFlora are entitled to receive on a pro-rata basis the net assets of AgraFlora after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or

class of shares ranking senior in priority to or on a pro-rata basis with the holders of Common Shares with respect to dividends or liquidation.

Pre-emptive, Conversion and Other Rights

No pre-emptive, redemption, sinking fund or conversion rights are attached to the Common Shares, and the Common Shares, when fully paid, will not be liable to further call or assessment. No other class of shares may be created without the approval of the holders of the Common Shares.

As at the year ended December 31, 2018, the Company also had the following stock options and warrants issued and outstanding:

- 34,312,500 stock options to purchase Common Shares with the weighted average remaining life of the stock options outstanding is 1.16 years (December 31, 2017 – 1.40 years).
- 14,607,000 Common Share purchase warrants with the weighted average remaining life of the warrants outstanding being 0.19 years (December 31, 2017– 1.01 years).

Subsequent to December 31, 2018:

- *Stock Options:* As at the date of this AIF there is a balance of 41,900,000 stock options granted.
- *Warrants:* As at the date of this AIF there are 135,992,693 warrants outstanding. Subsequent to the year ended December 31, 2018 a total of 12,397,000 warrants were exercised and 2,210,000 warrants expired without being exercised.

1.8 CONSTRAINTS

The Company does not have any constraints imposed on the ownership of its securities to ensure that the Company has a required level of Canadian ownership.

1.9 RATING

The Company does not have any ratings for its securities from a rating organization.

MARKET FOR SECURITIES

1.10 TRADING PRICE AND VOLUME

The Common Shares of the Company are listed for trading on the CSE under the current trading symbol AGRA. The following chart sets out the high and low trading prices, and volume of shares traded, for the period January 1, 2018 to December 31, 2018 and for the period January 1, 2019 to June 30, 2019 for the Company:

Trading Price and Volume for the Year Ended December 2018 and Subsequent

Month / Year	High \$	Low \$	Volume
January 2018	0.396	0.248	119,594,120
February 2018	0.256	0.172	87,486,335
March 2018	0.224	0.168	31,592,420
April 2018	0.178	0.140	34,960,610
May 2018	0.166	0.124	21,318,450
June 2018	0.170	0.136	25,440,865
July 2018	0.138	0.098	23,885,490
August 2018	0.126	0.082	21,058,970
September 2018	0.280	0.120	73,403,265
October 2018	0.298	0.142	81,354,625
November 2018	0.216	0.150	15,204,450
December 2018	0.220	0.125	38,549,476
January 2019	0.305	0.260	50,117,508
February 2019	0.380	0.290	31,562,266
March 2019	0.790	0.410	186,285,893
April 2019	0.680	0.470	55,092,067
May 2019	0.520	0.370	51,396,313

June 2019	0.360	0.470	31,236,222
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PRIOR SALES

There are no other classes of securities of the Company which are outstanding but not listed or quoted on a marketplace and therefore no prior sales to report.

Stock Options

Stock Option Plan

Shareholders of the Company approved the Stock Option Plan on July 7, 2016. Under the Stock Option 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 10% of the issued and outstanding Common Shares of the Company. 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.

A copy of the Stock Option Plan is included as Schedule “B” to this AIF.

The following table summarizes the number of stock options granted by the Company during the fiscal year ended December 31, 2018:

Date of Grant	Price Grant (\$)	Number of Stock Options Granted	Expiry Date
March 29, 2018	0.168	16,125,000	March 29, 2020
September 10, 2018	0.128	1,000,000	September 10, 2020
October 31, 2018	0.142	7,000,000	October 31, 2020
TOTAL		24,125,000	

Notes:

- 1) During the year ended December 31, 2018, 5,400,000 Stock Options were exercised for gross proceeds of \$371,200.
- 2) *Subsequent to Year Ended December 31, 2018:*
 - On March 15, 2019, the Company granted 20,400,000 Stock Options to consultants of the Company with an exercise price of \$0.55 per option expiring March 15, 2020.
 - During the three months ended March 31, 2019, 17,125,000 Stock Options were exercised for gross proceeds of \$1,621,250.
- 3) As at the date of this AIF there is a total of 41,900,000 Stock Options granted.

Warrants

The following table summarizes the number of Common Share purchase warrants issued by the Company and outstanding during the fiscal year ended December 31, 2018:

Expiry Date	Price Per Warrant (\$)	Number of Warrants
March 10, 2019	0.19	14,607,000

As at the date of this AIF there is a balance of 135,992,693 Warrants. Subsequent to the year ended December 31, 2018 a total of 12,397,000 Warrants were exercised and 2,210,000 warrants expired without being exercised.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As at the date of this AIF, the Company’s had nil issued and outstanding Common Shares in escrow or subject to a contractual restriction on transfer subject to various transfer restrictions.

DIRECTORS AND OFFICERS

1.12 NAME, OCCUPATION AND SECURITY HOLDING

The following table sets forth for each of the directors and officers of the Company, their name, province/state and country of residence; their principal occupations or employment; a brief biographical description; the date on which they became directors of the Company; their independence; their memberships with the applicable committees of the Company as of the date of this AIF.

The Company currently has one committee which is the Audit Committee (AC).

Name of Director / Officer	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed (1)	Number of Options Held (1)	
Brandon Boddy			
British Columbia, Canada Director since: April 23, 2019 Non-Independent Member of the Board Chair of AC Member of the AC	Nil	4,800,000 (i)	
	Principal Occupation for the Past Five Years: Mr. Boddy is currently the CEO, Chairman and Director of the Company. He is a corporate advisory consultant for a portfolio of public and private firms. He also serves as founding director of Auxly Cannabis Group Inc.; director of Bee Vectoring Technologies International Inc. and a director of Moovly Media Inc. Previously positions included: director of Versus Systems Inc. from January 2015 to June 2016; director of Ingite International Brands Ltd. From August 2017 to February 2019; and was the founder of US Cobalt Corp.		
	Number of Stock Options Granted	Exercise Price	Expiry
	400,000 250,000	\$0.46 \$0.142	May 21, 2024 October 31, 2023
Notes: (i) Of the 4,800,000 stock options a total of 2,700,000 stock options are held indirectly by 1061437 BC Ltd., which Mr. Boddy has a control position.			
Christopher Hornung			
Ontario, Canada Director since: February 6, 2014 Independent Member of the Board Member of the AC	3,607,825	750,000	
	Principal Occupation for the Past Five Years: Mr. Hornung is a self-employed management consultant. He also holds the position of Vice President, Kenex Manufacturing Co. since 1999 and is a principal of AAA Heidelberg.		
	Number of Stock Options Granted	Exercise Price	Expiry
	100,000 400,000 250,000	\$0.39 \$0.46 \$0.142	May 30, 2024 May 21, 2024 October 31, 2023
Jerry Habuda			
Ontario, Canada Director since: May 6, 2016 Independent Member of the Board Member of the AC	3,362,000	1,050,000	

Name of Director / Officer	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed (1)	Number of Options Held (1)															
	<p>Principal Occupation for the Past Five Years: Mr. Habuda is a retired and a 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. Mr. Habuda also serves as a director of Blox Labs Inc.</p> <table border="1" data-bbox="574 352 1520 512"> <thead> <tr> <th data-bbox="574 352 992 394">Number of Stock Options Granted</th> <th data-bbox="992 352 1235 394">Exercise Price</th> <th data-bbox="1235 352 1520 394">Expiry</th> </tr> </thead> <tbody> <tr> <td data-bbox="574 394 992 426">100,000</td> <td data-bbox="992 394 1235 426">\$0.39</td> <td data-bbox="1235 394 1520 426">May 30, 2024</td> </tr> <tr> <td data-bbox="574 426 992 457">200,000</td> <td data-bbox="992 426 1235 457">\$0.46</td> <td data-bbox="1235 426 1520 457">May 21, 2024</td> </tr> <tr> <td data-bbox="574 457 992 489">250,000</td> <td data-bbox="992 457 1235 489">\$0.142</td> <td data-bbox="1235 457 1520 489">October 31, 2023</td> </tr> <tr> <td data-bbox="574 489 992 512">500,000</td> <td data-bbox="992 489 1235 512">\$0.168</td> <td data-bbox="1235 489 1520 512">March 29, 2020</td> </tr> </tbody> </table>	Number of Stock Options Granted	Exercise Price	Expiry	100,000	\$0.39	May 30, 2024	200,000	\$0.46	May 21, 2024	250,000	\$0.142	October 31, 2023	500,000	\$0.168	March 29, 2020	
Number of Stock Options Granted	Exercise Price	Expiry															
100,000	\$0.39	May 30, 2024															
200,000	\$0.46	May 21, 2024															
250,000	\$0.142	October 31, 2023															
500,000	\$0.168	March 29, 2020															
Joseph Perino																	
<p>Ontario, Canada Director since: September 23, 2016 Independent Member of the Board Member of the AC</p>	<p>2,002,000</p>	<p>1,050,000</p>															
	<p>Principal Occupation for the Past Five Years: Mr. Perino is retired and a 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.</p> <table border="1" data-bbox="574 911 1520 1071"> <thead> <tr> <th data-bbox="574 911 992 953">Number of Stock Options Granted</th> <th data-bbox="992 911 1235 953">Exercise Price</th> <th data-bbox="1235 911 1520 953">Expiry</th> </tr> </thead> <tbody> <tr> <td data-bbox="574 953 992 984">100,000</td> <td data-bbox="992 953 1235 984">\$0.39</td> <td data-bbox="1235 953 1520 984">May 30, 2024</td> </tr> <tr> <td data-bbox="574 984 992 1016">200,000</td> <td data-bbox="992 984 1235 1016">\$0.46</td> <td data-bbox="1235 984 1520 1016">May 21, 2024</td> </tr> <tr> <td data-bbox="574 1016 992 1047">250,000</td> <td data-bbox="992 1016 1235 1047">\$0.142</td> <td data-bbox="1235 1016 1520 1047">October 31, 2023</td> </tr> <tr> <td data-bbox="574 1047 992 1071">500,000</td> <td data-bbox="992 1047 1235 1071">\$0.168</td> <td data-bbox="1235 1047 1520 1071">March 29, 2020</td> </tr> </tbody> </table>	Number of Stock Options Granted	Exercise Price	Expiry	100,000	\$0.39	May 30, 2024	200,000	\$0.46	May 21, 2024	250,000	\$0.142	October 31, 2023	500,000	\$0.168	March 29, 2020	
Number of Stock Options Granted	Exercise Price	Expiry															
100,000	\$0.39	May 30, 2024															
200,000	\$0.46	May 21, 2024															
250,000	\$0.142	October 31, 2023															
500,000	\$0.168	March 29, 2020															
Brian O'Neill																	
<p>British Columbia, Canada Director since: May 27, 2019 Independent Member of the Board</p>	<p>Nil</p>	<p>500,000</p>															
	<p>Principal Occupation for the Past Five Years: Mr. O'Neill is a Securities lawyer since 2009 and a partner at O'Neill Law LLP. He is legal counsel for various start-up companies and companies listed on the TSXV, CSE and U.S. over-the-counter markets.</p> <table border="1" data-bbox="574 1318 1520 1396"> <thead> <tr> <th data-bbox="574 1318 992 1360">Number of Stock Options Granted</th> <th data-bbox="992 1318 1235 1360">Exercise Price</th> <th data-bbox="1235 1318 1520 1360">Expiry</th> </tr> </thead> <tbody> <tr> <td data-bbox="574 1360 992 1396">500,000</td> <td data-bbox="992 1360 1235 1396">\$0.39</td> <td data-bbox="1235 1360 1520 1396">May 30, 2024</td> </tr> </tbody> </table>	Number of Stock Options Granted	Exercise Price	Expiry	500,000	\$0.39	May 30, 2024										
Number of Stock Options Granted	Exercise Price	Expiry															
500,000	\$0.39	May 30, 2024															
Peter Nguyen																	
<p>British Columbia, Canada Chief Financial Officer Officer since: June 27, 2019</p>	<p>Nil</p>	<p>Nil</p>															
	<p>Principal Occupation for the Past Five Years: Mr. Nguyen is a Chartered Professional Accountant and holds a degree from the University of British Columbia. He is an officer and director of several reporting companies listed on the TSX Venture Exchange and the CSE with both domestic and international operations. Mr. Nguyen has held senior financial positions for both public and private companies where he provided assurance, corporate finance, tax and business advisory services.</p>																

Jan Urata			
British Columbia, Canada Corporate Secretary Officer since: April 11, 2019	Nil		
	Principal Occupation for the Past Five Years: Ms. Urata is the Founder and President of Take It Public Services Inc., since 2011, a highly motivated legal support service for top tier and junior issuers in a variety of industry sectors. She is well versed in taking corporate entities from initial seed capital stage to publicly listed status. Her services include corporate secretarial to regulatory filings to complex transactions while offering corporate sustainability through cost-effective, efficient and timely services. Her business model focuses on performance, attention to detail and results, ensuring success and quality of work, with over 25 years' experience in the industry. The business grew out of her years of experience as a legal secretary/paralegal in top Vancouver law firms. She is also Corporate Secretary of several TSX Venture Exchange issuers.		
	Number of Stock Options Granted	Exercise Price	Expiry
100,000	\$0.39	May 30, 2024	
100,000	\$0.46	May 21, 2024	

Notes:

- (1) The number of Common Shares beneficially owned, controlled or directed, directly or indirectly, by the above directors and officers is based on information furnished by the directors and officers themselves and from the insider reports available at www.sedi.ca.
- (2) As of July 22, 2019, the current directors and officers of the Company, six (6) in the aggregate, beneficially owned, controlled or directed, directly or indirectly, an aggregate of 8,971,825 Common Shares (excluding Stock Options granted) or approximately 1.86% of the Common Shares issued and outstanding. To the knowledge of the Company there are no Common Share owned directly or indirectly by the Nominee Directors.
- (3) The Audit Committee shall meet four times annually, or more frequently as circumstances dictate. The Audit Committee was comprised of Messrs. Boddy (Chair), Hornung and Habuda for the year ended December 31, 2018.

1.13 DIRECTORS AND OFFICERS BACKGROUND

Please refer to Item 1.12 above for the background of each of the directors and officers of the Company.

1.14 BOARD COMMITTEES

The Board has one standing committee which is the Audit Committee.

The Audit Committee was comprised of Messrs. Boddy (Chair), Habuda and Perino for the year ended December 31, 2018. During that time two of the three Audit Committee members were independent within the meaning of National Instrument 52-110 – Audit Committees (“NI 52-110”). Mr. Boddy is considered a Non-Independent Member of the Board as he is the Chief Executive Officer and Chairman of the Board. The Audit Committee aids management in fulfilling its responsibility for the integrity of the Company’s internal accounting and control systems.

The Audit Committee receives and reviews the financial statements of the Company and makes recommendations thereon to the Board prior to their approval by the full Board. The Audit Committee communicates directly with the Company’s external auditors in order to discuss audit and related matters whenever appropriate. The Audit Committee charter can be found at Schedule “A” attached. Additional information can be found under Section 1.19 of this AIF.

1.15 CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of the Company, no director or executive officer of the Company:

- (a) is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that:
 - (i) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
 - (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of subsection (a), “order” means:

- (i) a cease trade order;
- (ii) an order similar to a cease trade order; or
- (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for more than 30 consecutive days.

To the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company

- a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in the that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder;
- b) has been subject to 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
- c) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

1.16 CONFLICTS OF INTEREST

The directors are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests that they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter.

To the best of the Company’s knowledge, there are no known existing or potential conflicts of interest among the Company, its promoters, directors and officers or other members of management of the Company or of any proposed promoter, director, officer or other member of management as a result of their outside business interests, except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies. All related party transactions during each reporting period are detailed in the Company’s Management Discussion & Analysis for the fiscal year ended December 31, 2018.

PROMOTERS

The Company does not currently have any promoters, nor has it had any promoters during the past two most recently completed financial years.

Subsequent to the year ended December 31, 2018 and announced on March 11, 2019 the Company had retained Maricom Inc. ("Maricom") to provide investor relations services to the Company in compliance with regulatory guidelines. Under the terms of engagement, Maricom has been retained for a 6-month period starting March 1, 2019 at \$3,500 per month.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company may become party to litigation or other adversary proceedings, with or without merit, in a number of jurisdictions. The cost of defending such claims may take away from management time and effort and if determined adversely to AgraFlora, may have a material and adverse effect on its cash flows, results of operation and financial condition.

As of the date of this AIF the Company is not party to any litigation or other adversary proceedings.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described below, in the three most recently completed financial years or the current financial year, no director, officer, insider or associate or affiliate of any director, officer or insider of the Company had or is expected to have any material interest, direct or indirect in any transactions with the Company that materially affected or would materially affect the Company. All related party transactions are detailed in the Company's Management Discussion & Analysis for the fiscal year ended December 31, 2018.

Transactions with related parties during the years ended December 31, 2018, 2017 and 2016

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand. At December 31, 2018, \$31,841 (2017 - \$87,400; 2016 \$Nil) is owing to related parties for unpaid fees, of which \$31,841 (2017 - \$34,900) included in accounts payable and accrued liabilities and \$Nil (2017 - \$52,500) is included in loans payable. Refer also to Note 13 of the Audited Financial Statements for the year ended December 31, 2018.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Investor Services Inc. in Toronto, Ontario.

MATERIAL CONTRACTS

The Company is not a party to any material contracts entered into within the most recently completed financial year, or before the most recently completed financial year, but that are still in effect, other than those contracts entered into in the ordinary course of business or disclosed under the Section 1.2 *General Development of the Business*.

INTERESTS OF EXPERTS

1.17 NAME OF EXPERTS

The audited consolidated financial statements of the Company for the period ended December 31, 2018 have been audited by Dale Matheson Carr-Hilton Labonte LLP., Chartered Accountants, of Suite 1500 - 1140 West Pender Street, Vancouver, B.C., Canada. V6E 4G1 were appointed as Auditors of the Company on January 19, 2016.

1.18 INTERESTS OF EXPERTS

Dale Matheson Carr-Hilton Labonte LLP. are the auditors of the Company and have performed the audit in respect of the annual financial statements of the Company for the financial year ended December 31, 2018. Dale Matheson Carr-Hilton Labonte LLP. are independent of the Company in accordance with the rules of professional conduct of the Institute of Chartered Accountants of British Columbia. Dale Matheson Carr-Hilton Labonte LLP.

AUDIT COMMITTEE

The Audit Committee is responsible for overseeing the Company's accounting and financial reporting processes and the audits of the Company's financial statements and to exercise the responsibilities and duties to assist the Board in fulfilling its responsibilities in reviewing the financial disclosures and internal controls over financial reporting; monitoring the system of internal control; monitoring the Company's compliance with the binding requirement of any stock exchanges on which the securities of the Company are listed and all other applicable laws; selecting the external auditors for shareholder approval; reviewing the qualifications, independence and performance of the external auditor; reviewing the qualifications, independence and performance of the Company's financial management; and identifying, evaluating and monitoring the management of the Company's principal risks impacting financial reporting. The Committee also assists the Board with the oversight of the financial strategies and overall risk management.

The full text of the Charter of the Audit Committee is included as Schedule "A" to this AIF.

1.19 COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee of the Company was comprised of the following members of the Board during the year ended December 31, 2018:

Name	Corporate Position	Independent	Financially Literate
Brandon Boddy	Director	No	Yes
Jerry Habuda	Director	Yes	Yes
Joseph Perino	Director	Yes	Yes

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

1.20 NAME OF AUDIT COMMITTEE MEMBER, RELEVANT EXPERIENCE AND QUALIFICATIONS

Composition, Name of Audit Committee Member, Relevant Experience and Qualifications During the Year Ended December 31, 2018

Audit Committee Member	Relevant Experience and Qualifications ⁽¹⁾⁽²⁾
Brandon Boddy Non- Independent Member of the Board of Directors Financially Literate	Mr. Boddy is a Co-Founder of Auxly Cannabis Group Inc. (formerly “Cannabis Wheaton Income Corp.”), and was instrumental in raising over \$300 million in capital, as well as spearheading an array of corporate development and M&A initiatives. Auxly is globally recognized as a premier vertically integrated cannabis company and at its zenith achieved a market capitalization of over \$1.8 billion.
Jerry Habuda Independent Member of the Board of Directors Financially Literate	Mr. Habuda brings over 35 years of expertise in law enforcement and specialized units. From 1977 to 2012, he served as a police officer with the Toronto Police Department. During his tenure, he was assigned to the Major Crimes Unit, investigating robberies and home invasions. He was assigned to patrol the Toronto Community Housing projects at Jane/Finch to control drug trafficking and gun violence. Mr. Habuda was with the Warrant Unit where he tracked down and arrested wanted criminals. From 1993-1997, he was assigned to the Northwest Drug Squad unit undercover and surveillance work, executing narcotic search warrants. Between 2002 and 2004, Mr. Habuda headed the Street Violence Task Force, a special unit designed to curb gun and drug violence that was terrorizing the city at the time. Between 2009 and 2012, he was assigned to the Bail Compliance Unit, which was formed to track dangerous criminals with gun and drug charges while they were out on bail.
Joseph Perino Independent Member of the Board of Directors Financially Literate	Mr. 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.

Notes:

- 1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board, reasonably interfere with the exercise of a member’s independent judgment.
- 2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth 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’s financial statements.

1.21 PRE-APPROVAL POLICIES AND PROCEDURES

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

1.22 RELIANCE ON CERTAIN EXEMPTIONS

Since the commencement of the Company’s most recently completed financial year, the Company has not relied on:

- a) The exemption in section 2.4 of NI 52-110 (De Minimis Non-Audit Services);
- b) The exemption in section 3.2 of NI 52-110 (Initial Public Offerings);
- c) The exemption in section 3.4 of NI 52-110- (Events Outside Control of Member);
- d) The exemption in section 3.5 of NI 52-110 (Death, Disability or Resignation of Audit Committee Member);
or
- e) An exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions).

Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

Since the commencement of the Company's most recently completed financial year, the Company has not relied on the exemption in subsection 3.3(2) of NI 52-110 (Controlled Companies) or section 3.6 of NI 52-110 (Temporary Exemption for Limited and Exceptional Circumstances).

Reliance on Section 3.8

Since the commencement of the Company's most recently completed financial year, the Company has no need to rely on the exemption in section 3.8 of NI 52-110 (Acquisition of Financial Literacy) as all members of the Audit Committee are financially literate.

Reliance on Section 6.1

The Company is relying upon the exemption in section 6.1 of NI 52-110 in respect of the composition of its Audit Committee and in respect of its reporting obligations under NI 52-110 for the years ended December 31, 2018 and 2017. This exemption exempts a "venture issuer" from the requirement to have 100% of the members of its Audit Committee independent, as would otherwise be required by NI 52-110.

1.23 AUDIT COMMITTEE OVERSIGHT

At no time since the commencement of 2018, the Company's most recently completed financial year, has a recommendation of the Audit Committee to nominate or compensate an external auditor, not been adopted by the board of directors of the Company.

1.24 EXTERNAL AUDITOR SERVICE FEES TAX FEES AND ALL OTHER FEES

External Auditor Service Fees (By Category)

Audit Fees

Dale Matheson Carr-Hilton, Chartered Accountants were appointed auditors of the Company on January 19, 2016. During the financial year ended December 31, 2018, the Current External Auditor billed the Company C\$65,000 for audit services (2017 - C\$40,000).

Audit-Related Fees

During the financial year ended December 31, 2018, the External Auditor billed the Company C\$Nil for Audited-Related Fees (2017 – C\$Nil).

Tax Fees

During the financial year ended December 31, 2018, the External Auditor billed the Company C\$Nil for Tax Fees (2017 – C\$Nil).

All Other Fees

During the financial year ended December 31, 2018, the Current External Auditor billed the Company C\$Nil for Other Fees (2017 – C\$Nil).

ADDITIONAL INFORMATION

Financial information about the Company is contained in its comparative financial statements and Management's Discussion & Analysis for the fiscal years ended December 31, 2018 and 2017, and additional information relating to the Company is available on SEDAR, under the Company's profile, at www.sedar.com.

Additional information, including particulars of directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the 2019 Information Circular prepared in respect of the Company's most recent annual general meeting held June 28, 2019.

**SCHEDULE “A”
AUDIT COMMITTEE CHARTER**

**AGRAFLORA ORGANICS INTERNATIONAL INC.
(the “Company”)**

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.

**SCHEDULE “B”
STOCK OPTION PLAN**

AGRAFLORA ORGANICS INTERNATIONAL INC.
(the “Company”)

Dated for Reference July 7, 2016

**ARTICLE 1
PURPOSE AND INTERPRETATION**

1.1 Purpose

1.1 The purpose of this 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. It is the intention of the Company that this Plan will at all times be in compliance with TSX Venture Policies (or, if applicable, NEX Policies) and any inconsistencies between this Plan and TSX Venture Policies (or, if applicable, NEX Policies) will be resolved in favour of the latter.

1.2 Definitions

1.2 In this Plan:

- (a) **Affiliate** means a company that is a parent or subsidiary of the Company, or that is controlled by the same entity as the Company;
- (b) **Associate** has the meaning set out in the Securities Act;
- (c) **Black-out Period** means an interval of time during which the Company has determined that one or more Participants may not trade any securities of the Company because they may be in possession of undisclosed material information pertaining to the Company, or when in anticipation of the release of quarterly or annual financials, to avoid potential conflicts associated with a company’s insider-trading policy or applicable securities legislation, (which, for greater certainty, does not include the period during which a cease trade order is in effect to which the Company or in respect of an Insider, that Insider, is subject);
- (d) **Board** means the board of directors of the Company or any committee thereof duly empowered or authorized to grant Options under this Plan;
- (e) **Change of Control** includes situations where after giving effect to the contemplated transaction and as a result of such transaction:
 - (i) any one Person holds a sufficient number of voting shares of the Company or resulting company to affect materially the control of the Company or resulting company, or,
 - (ii) any combination of Persons, acting in concert by virtue of an agreement, arrangement, commitment or understanding, holds in total a sufficient number of voting shares of the Company or its successor to affect materially the control of the Company or its successor,
 where such Person or combination of Persons did not previously hold a sufficient number of voting shares to materially affect control of the Company or its successor and, in the absence of evidence to the contrary, any Person or combination of Persons acting in concert by virtue of an agreement, arrangement, commitment or understanding, holding more than 20% of the voting shares of the Company or resulting company is deemed to materially affect control of the Company or resulting company;
- (f) **Common Shares** means the common shares without par value in the capital of the Company providing such class is listed on the TSX Venture (or, NEX, as the case may be);

- (g) **Company** means the company named at the top hereof and includes, unless the context otherwise requires, all of its Affiliates and successors according to law;
- (h) **Consultant** means an individual or Consultant Company, other than an Employee, Officer or Director that:
- (i) provides on an ongoing bona fide basis, consulting, technical, managerial or like services to the Company or an Affiliate of the Company, other than services provided in relation to a Distribution;
 - (ii) provides the services under a written contract between the Company or an Affiliate and the individual or the Consultant Company;
 - (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the business and affairs of the Company or an Affiliate of the Company; and
 - (iv) has a relationship with the Company or an Affiliate of the Company that enables the individual or Consultant Company to be knowledgeable about the business and affairs of the Company;
- (i) **Consultant Company** means for an individual consultant, a company or partnership of which the individual is an employee, shareholder or partner;
- (j) **Directors** means the directors of the Company as may be elected from time to time;
- (k) **Discounted Market Price** has the meaning assigned by Policy 1.1 of the TSX Venture Policies;
- (l) **Disinterested Shareholder Approval** means approval by a majority of the votes cast by all the Company's shareholders at a duly constituted shareholders' meeting, excluding votes attached to Common Shares beneficially owned by Insiders who are Service Providers or their Associates;
- (m) **Distribution** has the meaning assigned by the Securities Act, and generally refers to a distribution of securities by the Company from treasury;
- (n) **Effective Date** for an Option means the date of grant thereof by the Board;
- (o) **Employee** means:
- (i) an individual who is considered an employee under the *Income Tax Act* Canada (i.e. for whom income tax, employment insurance and CPP deductions must be made at source);
 - (ii) an individual who works full-time for the Company or a subsidiary thereof providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source; or
 - (iii) an individual who works for the Company or its subsidiary on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions need not be made at source;
- (p) **Exercise Price** means the amount payable per Common Share on the exercise of an Option, as determined in accordance with the terms hereof;
- (q) **Expiry Date** means the day on which an Option lapses as specified in the Stock Option Agreement therefor or in accordance with the terms of this Plan;
- (r) **Insider** means an insider as defined in the TSX Venture Policies or as defined in securities legislation applicable to the Company;
- (s) **Investor Relations Activities** has the meaning assigned by Policy 1.1 of the TSX Venture Policies;

- (t) **Management Company Employee** means an individual employed by a Person providing management services to the Company which are required for the ongoing successful operation of the business enterprise of the Company, but excluding a Person engaged in Investor Relations Activities;
- (u) **NEX** means a separate board of the TSX Venture for companies previously listed on the TSX Venture or the Toronto Stock Exchange which have failed to maintain compliance with the ongoing financial listing standards of those markets;
- (v) **NEX Issuer** means a company listed on NEX;
- (w) **NEX Policies** means the rules and policies of NEX as amended from time to time;
- (x) **Officer** means a Board appointed officer of the Company;
- (y) **Option** means the right to purchase Common Shares granted hereunder to a Service Provider;
- (z) **Optioned Shares** means Common Shares that may be issued in the future to a Service Provider upon the exercise of an Option;
- (aa) **Optionee** means the recipient of an Option hereunder;
- (bb) **Outstanding Shares** means at the relevant time, the number of issued and outstanding Common Shares of the Company from time to time;
- (cc) **Participant** means a Service Provider that becomes an Optionee;
- (dd) **Person** includes a company, any unincorporated entity, or an individual;
- (ee) **Plan** means this Stock Option Plan, the terms of which are set out herein or as may be amended;
- (ff) **Plan Shares** means the total number of Common Shares which may be reserved for issuance as Optioned Shares under the Plan as provided in §2.2;
- (gg) **Regulatory Approval** means the approval of the TSX Venture and any other securities regulatory authority that has lawful jurisdiction over the Plan and any Options issued hereunder;
- (hh) **Securities Act** means the Securities Act, R.S.B.C. 1996, c. 418, or any successor legislation;
- (ii) **Service Provider** means a Person who is a bona fide Director, Officer, Employee, Management Company Employee, Consultant or Company Consultant, and also includes a company, 100% of the share capital of which is beneficially owned by one or more Service Providers;
- (jj) **Share Compensation Arrangement** means any Option under this Plan but also includes any other stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares to a Service Provider;
- (kk) **Shareholder Approval** means approval by a majority of the votes cast by eligible shareholders of the Company at a duly constituted shareholders' meeting;
- (ll) **Stock Option Agreement** means the agreement evidencing the grant of an Option delivered by the Company hereunder to a Service Provider and substantially in the form of Schedule A attached hereto;
- (mm) **Take Over Bid** means a take over bid as defined in subsection 92(1) of the *Securities Act* (British Columbia) or the analogous provisions of securities legislation applicable to the Company;

- (nn) **TSX Venture** means the TSX Venture Exchange and any successor thereto; and
- (oo) **TSX Venture Policies** means the rules and policies of the TSX Venture as amended from time to time.

1.3 Other Words and Phrases

1.3 Words and phrases used in this Plan but which are not defined in the Plan, but are defined in the TSX Venture Policies (and, if applicable, the NEX Policies), will have the meaning assigned to them in the TSX Venture Policies (and, if applicable, NEX Policies).

1.4 Gender

1.4 Words importing the masculine gender include the feminine or neuter, words in the singular include the plural, words importing a corporate entity include individuals, and vice versa.

ARTICLE 2 STOCK OPTION PLAN

1.5 Establishment of Stock Option Plan

2.1 The Plan is hereby established to recognize contributions made by Service Providers and to create an incentive for their continuing assistance to the Company and its Affiliates.

1.6 Maximum Plan Shares

2.2 The maximum aggregate number of Plan Shares that may be reserved for issuance under the Plan at any point in time is 10% of the Outstanding Shares at the time Plan Shares are reserved for issuance as a result of the grant of an Option, less any Common Shares reserved for issuance under share options granted under Share Compensation Arrangements other than this Plan, unless this Plan is amended pursuant to the requirements of the TSX Venture Policies (and, if applicable, NEX Policies).

1.7 Eligibility

2.3 Options to purchase Common Shares may be granted hereunder to Service Providers of the Company, or its affiliates, from time to time by the Board. Service Providers that are not individuals will be required to undertake in writing not to effect or permit any transfer of ownership or option of any of its securities, or to issue more of its securities (so as to indirectly transfer the benefits of an Option), as long as such Option remains outstanding, unless the written permission of the TSX Venture and the Company is obtained.

1.8 Options Granted Under the Plan

2.4 All Options granted under the Plan will be evidenced by a Stock Option Agreement in the form attached as Schedule A, showing the number of Optioned Shares, the term of the Option, a reference to vesting terms, if any, and the Exercise Price.

2.5 Subject to specific variations approved by the Board, all terms and conditions set out herein will be deemed to be incorporated into and form part of a Stock Option Agreement made hereunder.

1.9 Limitations on Issue

2.6 Subject to §2.10, the following restrictions on issuances of Options are applicable under the Plan:

- (a) no Service Provider can be granted an Option if that Option would result in the total number of Options, together with all other Share Compensation Arrangements granted to such Service Provider in the previous 12 months, exceeding 5% of the Outstanding Shares, unless the Company has obtained Disinterested Shareholder Approval to do so;

- (b) the aggregate number of Options granted to all Service Providers conducting Investor Relations Activities in any 12-month period cannot exceed 2% of the Outstanding Shares, calculated at the time of grant, without the prior consent of the TSX Venture (or NEX, as the case may be); and
- (c) the aggregate number of Options granted to any one Consultant in any 12 month period cannot exceed 2% of the Outstanding Shares, calculated at the time of grant, without the prior consent of the TSX Venture.

1.10 Options Not Exercised

2.7 In the event an Option granted under the Plan expires unexercised or is terminated by reason of dismissal of the Optionee for cause or is otherwise lawfully cancelled prior to exercise of the Option, the Optioned Shares that were issuable thereunder will be returned to the Plan and will be eligible for re-issuance.

1.11 Powers of the Board

2.8 The Board will be responsible for the general administration of the Plan and the proper execution of its provisions, the interpretation of the Plan and the determination of all questions arising hereunder. Without limiting the generality of the foregoing, the Board has the power to

- (a) allot Common Shares for issuance in connection with the exercise of Options;
- (b) grant Options hereunder;
- (c) subject to any necessary Regulatory Approval, amend, suspend, terminate or discontinue the Plan, or revoke or alter any action taken in connection therewith, except that no general amendment or suspension of the Plan will, without the prior written consent of all Optionees, alter or impair any Option previously granted under the Plan unless the alteration or impairment occurred as a result of a change in the TSX Venture Policies or the Company's tier classification thereunder; and
- (d) delegate all or such portion of its powers hereunder as it may determine to one or more committees of the Board, either indefinitely or for such period of time as it may specify, and thereafter each such committee may exercise the powers and discharge the duties of the Board in respect of the Plan so delegated to the same extent as the Board is hereby authorized so to do.

1.12 Amendment of the Plan by the Board of Directors

2.9 Subject to the requirements of the TSX Venture Policies and the prior receipt of any necessary Regulatory Approval, the Board may in its absolute discretion, amend or modify the Plan or any Option granted as follows:

- (a) it may make amendments which are of a typographical, grammatical or clerical nature only;
- (b) it may change the vesting provisions of an Option granted hereunder, subject to prior written approval of the TSX Venture, if applicable;
- (c) it may change the termination provision of an Option granted hereunder which does not entail an extension beyond the original Expiry Date of such Option;
- (d) it may make amendments necessary as a result in changes in securities laws applicable to the Company;
- (e) if the Company becomes listed or quoted on a stock exchange or stock market senior to the TSX Venture, it may make such amendments as may be required by the policies of such senior stock exchange or stock market; and
- (f) it may make such amendments as reduce, and do not increase, the benefits of this Plan to Service Providers.

1.13 Amendments Requiring Disinterested Shareholder Approval

2.10 The Company will be required to obtain Disinterested Shareholder Approval prior to any of the following actions becoming effective:

- (a) the Plan, together with all of the Company's other previous Share Compensation Arrangements, could result at any time in:
 - (i) the aggregate number of Common Shares reserved for issuance under Options granted to Insiders exceeding 10% of the Outstanding Shares in the event that this Plan is amended to reserve for issuance more than 10% of the Outstanding Shares;
 - (ii) the number of Optioned Shares issued to Insiders within a one-year period exceeding 10% of the Outstanding Shares in the event that this Plan is amended to reserve for issuance more than 10% of the Outstanding Shares; or,
 - (iii) the issuance to any one Optionee, within a 12-month period, of a number of Common Shares exceeding 5% of the Outstanding Shares; or
- (b) any reduction in the Exercise Price of an Option previously granted to an Insider.

1.14 Options Granted Under the Company's Previous Stock Option Plans

2.11 Any option granted pursuant to a stock option plan previously adopted by the Board which is outstanding at the time this Plan comes into effect shall be deemed to have been issued under this Plan and shall, as of the date this Plan comes into effect, be governed by the terms and conditions hereof.

**ARTICLE 3
TERMS AND CONDITIONS OF OPTIONS**

1.15 Exercise Price

3.1 The Exercise Price of an Option will be set by the Board at the time such Option is allocated under the Plan, and cannot be less than the Discounted Market Price.

1.16 Term of Option

3.2 An Option can be exercisable for a maximum of 10 years from the Effective Date.

1.17 Option Amendment

3.3 Subject to §2.10(b), the Exercise Price of an Option may be amended only if at least six (6) months have elapsed since the later of the date of commencement of the term of the Option, the date the Common Shares commenced trading on the TSX Venture, or the date of the last amendment of the Exercise Price.

3.4 An Option must be outstanding for at least one year before the Company may extend its term, subject to the limits contained in §3.2.

3.5 Any proposed amendment to the terms of an Option must be approved by the TSX Venture prior to the exercise of such Option.

1.18 Vesting of Options

3.6 Subject to §3.7, vesting of Options shall be at the discretion of the Board and, with respect to any particular Options granted under the Plan, in the absence of a vesting schedule being specified at the time of grant, all such Options shall vest immediately. Where applicable, vesting of Options will generally be subject to:

- (a) the Service Provider remaining employed by or continuing to provide services to the Company or any of 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 any of its Affiliates during the vesting period; or
- (b) the Service Provider remaining as a Director of the Company or any of its Affiliates during the vesting period.

1.19 Vesting of Options Granted to Consultants Conducting Investor Relations Activities

3.7 Notwithstanding §3.6, Options granted to Consultants conducting Investor Relations Activities will vest:

- (a) over a period of not less than 12 months as to 25% on the date that is three months from the date of grant, and a further 25% on each successive date that is three months from the date of the previous vesting; or
- (b) such longer vesting period as the Board may determine.

1.20 Effect of Take Over Bid

3.8 If a Take Over Bid is made to the shareholders generally then the Company shall immediately upon receipt of notice of the Take Over Bid, notify each Optionee currently holding an Option of the Take Over Bid, with full particulars thereof whereupon such Option may, notwithstanding §3.6 and §3.7 or any vesting requirements set out in the Stock Option Agreement, be immediately exercised in whole or in part by the Optionee, subject to approval of the TSX Venture (or the NEX, as the case may be) for vesting requirements imposed by the TSX Venture Policies.

1.21 Extension of Options Expiring During Blackout Period

3.9 Should the Expiry Date for an Option fall within a Blackout Period, or within nine (9) Business Days following the expiration of a Blackout Period, such Expiry Date shall, subject to approval of the TSX Venture (or the NEX, as the case may be), be automatically extended without any further act or formality to that day which is the tenth (10th) Business Day after the end of the Blackout Period, such tenth Business Day to be considered the Expiry Date for such Option for all purposes under the Plan. Notwithstanding §2.8, the tenth Business Day period referred to in this §3.9 may not be extended by the Board.

1.22 Optionee Ceasing to be Director, Employee or Service Provider

3.10 Options may be exercised after the Service Provider has left his/her employ/office or has been advised by the Company that his/her services are no longer required or his/her service contract has expired, until the term applicable to such Options expires, except as follows:

- (a) in the case of the death of an Optionee, any vested Option held by him 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;
- (b) an Option granted to (i) directors or officers will expire 90 days and (ii) to all others including, but not limited to, employees and consultants, will expire 30 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, and 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; and
- (c) 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.

Additionally, Consultants who are granted options need to continue to:

- (d) provide on an ongoing basis, consulting, technical, managerial or like services to the Company or an Affiliate of the Company, other than services provided in relation to a Distribution;
- (e) provide the services under a written contract between the Company or an Affiliate and the individual or the Consultant Company;
- (f) in the reasonable opinion of the Company, spend or will spend a significant amount of time and attention on the business and affairs of the Company or an Affiliate of the Company; and
- (g) have a relationship with the Company or an Affiliate of the Company that enables the individual or Consultant Company to be knowledgeable about the business and affairs of the Company.

1.23 Non Assignable

3.11 Subject to §3.10, all Options will be exercisable only by the Optionee to whom they are granted and will not be assignable or transferable.

1.24 Adjustment of the Number of Optioned Shares

3.12 The number of Common Shares subject to an Option will be subject to adjustment in the events and in the manner following:

- (a) in the event of a subdivision of Common Shares as constituted on the date hereof, at any time while an Option is in effect, into a greater number of Common Shares, the Company will thereafter deliver at the time of purchase of Optioned Shares hereunder, in addition to the number of Optioned Shares in respect of which the right to purchase is then being exercised, such additional number of Common Shares as result from the subdivision without an Optionee making any additional payment or giving any other consideration therefor;
- (b) in the event of a consolidation of the Common Shares as constituted on the date hereof, at any time while an Option is in effect, into a lesser number of Common Shares, the Company will thereafter deliver and an Optionee will accept, at the time of purchase of Optioned Shares hereunder, in lieu of the number of Optioned Shares in respect of which the right to purchase is then being exercised, the lesser number of Common Shares as result from the consolidation;
- (c) in the event of any change of the Common Shares as constituted on the date hereof, at any time while an Option is in effect, the Company will thereafter deliver at the time of purchase of Optioned Shares hereunder the number of shares of the appropriate class resulting from the said change as an Optionee would have been entitled to receive in respect of the number of Common Shares so purchased had the right to purchase been exercised before such change;
- (d) in the event of a capital reorganization, reclassification or change of outstanding equity shares (other than a change in the par value thereof) of the Company, a consolidation, merger or amalgamation of the Company with or into any other company or a sale of the property of the Company as or substantially as an entirety at any time while an Option is in effect, an Optionee will thereafter have the right to purchase and receive, in lieu of the Optioned Shares immediately theretofore purchasable and receivable upon the exercise of the Option, the kind and amount of shares and other securities and property receivable upon such capital reorganization, reclassification, change, consolidation, merger, amalgamation or sale which the holder of a number of Common Shares equal to the number of Optioned Shares immediately theretofore purchasable and receivable upon the exercise of the Option would have received as a result thereof. The subdivision or consolidation of Common Shares at any time outstanding (whether with or without par value) will not be deemed to be a capital reorganization or a reclassification of the capital of the Company for the purposes of this §3.12;

- (e) an adjustment will take effect at the time of the event giving rise to the adjustment, and the adjustments provided for in this section are cumulative;
- (f) the Company will not be required to issue fractional shares in satisfaction of its obligations hereunder. Any fractional interest in a Common Share that would, except for the provisions of this §3.12, be deliverable upon the exercise of an Option will be cancelled and not be deliverable by the Company; and
- (g) if any questions arise at any time with respect to the Exercise Price or number of Optioned Shares deliverable upon exercise of an Option in any of the events set out in this §3.12, such questions will be conclusively determined by the Company's auditors, or, if they decline to so act, any other firm of Chartered Accountants, in Vancouver, British Columbia (or in the city of the Company's principal executive office) that the Company may designate and who will be granted access to all appropriate records and such determination will be binding upon the Company and all Optionees.

ARTICLE 4

COMMITMENT AND EXERCISE PROCEDURES

1.25 Stock Option Agreement

4.1 Upon grant of an Option hereunder, an authorized officer of the Company will deliver to the Optionee a Stock Option Agreement detailing the terms of such Options and upon such delivery the Optionee will be subject to the Plan and have the right to purchase the Optioned Shares at the Exercise Price set out therein subject to the terms and conditions hereof.

1.26 Manner of Exercise

4.2 An Optionee who wishes to exercise his Option may do so by delivering

- (a) a written notice to the Company specifying the number of Optioned Shares being acquired pursuant to the Option; and
- (b) a certified cheque, wire transfer or bank draft payable to the Company for the aggregate Exercise Price for the Optioned Shares being acquired.

1.27 Tax Withholding and Procedures

4.3 Notwithstanding anything else contained in this Plan, the Company may, from time to time, implement such procedures and conditions as it determines appropriate with respect to the withholding and remittance of taxes imposed under applicable law, or the funding of related amounts for which liability may arise under such applicable law. Without limiting the generality of the foregoing, an Optionee who wishes to exercise an Option must, in addition to following the procedures set out in 4.2 and elsewhere in this Plan, and as a condition of exercise:

- (a) deliver a certified cheque, wire transfer or bank draft payable to the Company for the amount determined by the Company to be the appropriate amount on account of such taxes or related amounts; or
- (b) otherwise ensure, in a manner acceptable to the Company (if at all) in its sole and unfettered discretion, that the amount will be securely funded;

and must in all other respects follow any related procedures and conditions imposed by the Company.

1.28 Delivery of Optioned Shares and Hold Periods

4.4 As soon as practicable after receipt of the notice of exercise described in §4.2 and payment in full for the Optioned Shares being acquired, the Company will direct its transfer agent to issue to the Optionee the appropriate number of Optioned Shares. If the Exercise Price is set below the then current market price of the

Common Shares on the TSX Venture at the time of grant, the certificate representing the Optioned Shares or written notice in the case of uncertificated shares will include a legend stipulating that the Optioned Shares issued are subject to a four-month TSX Venture hold period commencing the date of the Stock Option Agreement.

ARTICLE 5 GENERAL

1.29 Employment and Services

5.1 Nothing contained in the Plan will confer upon or imply in favour of any Optionee any right with respect to office, employment or provision of services with the Company, or interfere in any way with the right of the Company to lawfully terminate the Optionee's office, employment or service at any time pursuant to the arrangements pertaining to same. Participation in the Plan by an Optionee is voluntary.

1.30 No Representation or Warranty

5.2 The Company makes no representation or warranty as to the future market value of Common Shares issued in accordance with the provisions of the Plan or to the effect of the *Income Tax Act* (Canada) or any other taxing statute governing the Options or the Common Shares issuable thereunder or the tax consequences to a Service Provider. Compliance with applicable securities laws as to the disclosure and resale obligations of each Participant is the responsibility of each Participant and not the Company.

1.31 Interpretation

5.3 The Plan will be governed and construed in accordance with the laws of the Province of British Columbia.

1.32 Continuation of Plan

5.4 The Plan will become effective from and after June 23, 2011, and will remain effective provided that the Plan, or any amended version thereof receives Shareholder Approval at each annual general meeting of the holders of Common Shares of the Company subsequent to June 23, 2011.

1.33 Amendment of the Plan

5.5 The Board reserves the right, in its absolute discretion, to at any time amend, modify or terminate the Plan with respect to all Common Shares in respect of Options which have not yet been granted hereunder. Any amendment to any provision of the Plan will be subject to any necessary Regulatory Approvals unless the effect of such amendment is intended to reduce (but not to increase) the benefits of this Plan to Service Providers.

SCHEDULE A
AGRAFLORA ORGANICS INTERNATIONAL INC.
STOCK OPTION AGREEMENT

AgraFlora Organics International Inc. (the “**Company**”) has granted to _____ (the “**Optionee**”), an option to acquire common shares (the “**Options**”) of the Company, subject to the terms and conditions of the Company’s stock option plan (the “**Plan**”) established by the Company or any successor plan thereto, as amended from time to time in accordance with its terms, subject to regulatory approval, which are deemed to be incorporated in this stock option agreement (the “**Option Agreement**”), and to the following specific provisions:

Option Agreement and Grant Date:	_____
Position with Company:	_____
Number of Options:	_____
Exercise Price:	_____
Expiry Date:	_____
Option Vesting Schedule:	The Options shall vest [immediately]

The Company and the Optionee represent that the Optionee, under the terms and conditions of the Plan, is a bona fide Service Provider (as defined in the Plan), entitled to receive Options pursuant to applicable regulatory policies.

The Optionee may exercise the Options within 90 days (if you are a director or officer) or 30 days (if you are an employee or consultant) following cessation of the Optionee’s position with the Company, or such other time, not to exceed one year, as shall be determined by the board of directors of the Company (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), and 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.

For directors, officers and employees of the Company who are resident in Canada, by signing this Option Agreement, the undersigned Optionee also acknowledges that, as a result of certain policy changes in Canada's Federal Budget introduced March 4, 2010, effective January 1, 2011, upon the exercise of all or any portion of the Option, the Optionee will be required to provide the Company with a payment equal to the income taxes due on the taxable employment benefit to be received by the Optionee through such exercise (the “**Tax Withholding Amount**”).

For independent consultants of the Company, any taxable benefit that arises from the exercise of the Option is solely the responsibility of the consultant to report any such tax benefit on his or her income tax return, if applicable, in his jurisdiction of residence.

Acknowledgement – Personal Information

The information set out in this Option Agreement about the undersigned Optionee will be used by the Company for making certain filings with applicable regulatory authorities. The Optionee acknowledges and consents to the collection and use of the Personal Information contained in this Option Agreement by the Company for the above purposes or as otherwise required by applicable regulatory authorities from time to time in accordance with their regulations. If you are in doubt about the above applicable requirements, please contact the Company.

Acknowledged and agreed by the Optionee:

**AGRAFLOA ORGANICS INTERNATIONAL
INC.**

[name of Optionee]

Authorized Signatory

Address

Address (continued)

Telephone Number

Email Address

AGRAFLOA ORGANICS INTERNATIONAL INC.

(the "Company")

STOCK OPTION EXERCISE NOTICE

TO: AgraFlora Organics International Inc.

The undersigned hereby gives notice of exercise of Options as detailed below and encloses a cheque or bank draft, payable to the Company, in the designated amount representing payment in full for those shares.

Option Agreement and Grant Date: _____

Number of Options Exercised: _____

Position with Company: _____

Exercise Price: _____

Option Exercise Amount: \$ _____

Plus Tax Withholding Amount: \$ _____
[if applicable]

TOTAL: \$ _____

Balance of number of Options remaining exercisable until •[insert option expiry date]: _____

DATED _____

Print name of Optionee

Signature of Optionee

Address (for registration of shares)

Delivery address (if different from share registration address)

Telephone Number

Email Address