AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)

Management's Discussion and Analysis

For the Six Months Ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

Date: August 29, 2019

INTRODUCTION

This Management's Discussion and Analysis ("**MD&A**") of the operating results and financial condition of AgraFlora Organics International Inc.(Formerly PUF Ventures Inc) ("**AGRA**" or the "**Company**") for the six months ended June 30, 2019 should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes for the six months ended June 30, 2019, which are prepared in accordance with International Financial Reporting Standards ("**IFRS**").

Effective November 14, 2018, the Company changed its name to "AgraFlora Organics International Inc.". and is trading under the symbol AGRA.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, are complete and reliable. The Company's board of directors (the "**Board**") follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's Audit Committee meets with management quarterly to review the financial statements, the MD&A and to discuss other financial, operating, and internal control matters. The reader is encouraged to review the Company's statutory filing on www.sedar.com.

This MD&A is prepared as at August 29, 2019. All dollar figures stated herein are expressed in Canadian dollars unless otherwise indicated.

Readers should use the information contained in this report in conjunction with all other disclosure documents including those filed on SEDAR at www.sedar.com.

Forward-Looking Statements

Information set forth in this MD&A may involve forward-looking statements within the meaning of Canadian securities laws. These statements relate to future events or future performance and reflect management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target" or the negative of these terms or other comparable terminology. Forward-looking statements in this MD&A include, but are not limited to: volatility of stock price and market conditions, regulatory risks, difficulty in forecasting, key personnel, limited operating history, competition, investment capital and market share, market uncertainty, additional capital requirements, management of growth, pricing policies, litigation, no dividend history. The risk factors described in this MD&A are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the Company's forward-looking statements. In addition, any forward-looking statements represent the Company's estimates only as of the date of this MD&A and should not be relied upon as representing the Company's estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking statements in MD&A include:

- the Company's use of proceeds and business objectives and milestones and the anticipated time of execution, see "Use of Proceeds";
- the performance of the Company's business and operations;
- the intention to expand the business, operations and potential activities of the Company;
- the methods used by the Company to deliver cannabis;
- the projected increase in production capacity;
- the competitive conditions of the cannabis industry;
- the competitive and business strategies of the Company;
- the Company's anticipated operating cash requirements and future financing needs;
- the anticipated future gross revenues and profit margins of the Company's operations;

Forward-Looking Statements (continued)

- the Company's expectations regarding its revenue, expenses and operations;
- impacts of potential litigation;
- the Company's intention to build brands and develop cannabis products targeted to specific segments of the market;
- the ongoing and proposed expansion of the Company's facilities, products or services, including associated costs and any applicable Health Canada licensing;
- the current political, legal and regulatory landscape surrounding medical and recreational cannabis and expected developments in any jurisdiction in which the Company operates or may operate;
- the receipt of any regulatory and stock exchange approvals required at any given time;
- the applicable laws, regulations and any amendments thereof;
- medical benefits, viability, safety, efficacy and dosing of cannabis;
- the expected growth in the number of patients;
- the expected number of grams of medical cannabis used by each patient;
- expectations with respect to the advancement and adoption of new product lines and ingredients;
- the acceptance by customers and the marketplace of new products and solutions;
- the ability to attract new customers and develop and maintain existing customers;
- expectations with respect to future production costs and capacity;
- expectations with respect to the renewal and/or extension of the Company's permits and licenses;
- the ability to protect, maintain and enforce the Company's intellectual property rights;
- the ability to successfully leverage current and future strategic partnerships and alliances;
- the ability to attract and retain personnel;
- anticipated labour and materials costs;
- the Company's competitive condition and expectations regarding competition, including pricing and demand expectations and the regulatory environment in which the Company operates; and
- anticipated trends and challenges in the Company's business and the markets and jurisdictions in which the Company operates or may operate.

The preceding list is not exhaustive of all possible factors. All factors should be considered carefully when making decisions with respect to the Company. Readers should not place undue reliance on the Company's forward-looking statements, as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that such forward-looking statements will materialize. Unless required by applicable securities laws the Issuer disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, see "Risk Factors".

While the Company considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in the section titled "Risk Factors".

OVERVIEW

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. All references to number of shares and per share amounts in this MD&A have been retroactively restated to reflect this stock split. The Company's head office and registered and records office is located at Suite 810 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

The Company trades on the Canadian Stock Exchange (the "**CSE**") under the symbol "AGRA". The Company also trades on the OTC Pink Sheets ("**OTCPK**") under the symbol "AGFAF" and the Frankfurt Stock Exchange under the symbol "PU3".

AgraFlora Organics International Inc. ("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, ON, and controls a 70% interest in Propagation Service Canada and its large-scale, 2.2 million square foot greenhouse complex in Delta, B.C. The Company's Delta Greenhouse Complex 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.

OVERALL PERFORMANCE

During the period ended June 30, 2019, the Company has continued to deploy an assertive corporate acquisition stratagem, amassing a diverse portfolio of vertically integrated cannabis assets and industry partnerships. The Company entered into several key agreements that expands the Company's distribution network.

The key investments made during the period include:

Propagation Services Canada

Pursuant to the terms of an executed asset purchase and sale agreement between Organic Flower and the Company, the Company now controls 70% of PSC's flagship Delta Greenhouse Complex. The Company's investment in the Delta Greenhouse is widely considered to be one of the most technically advanced and environmentally-friendly greenhouse operations in the World, which boasts industry leading cultivation infrastructure including:

- Fully integrated on-site natural gas-powered power plant;
- Providing ample heat and electricity, while repurposing carbon dioxide emissions to benefit the plants;
- Proprietary energy efficient air exchange;
- Advanced climate and humidity control management infrastructure;
- Ebb and flow watering systems to enhance complete irrigation recapture and water treatment; 1.5-million-gallon hot water storage tank configured to store energy produced during the day, for redistribution during non-peak hours, thereby increasing operational efficiencies and reducing associated energy costs; and,
- Multistage supplemental lighting augmented by natural sunlight to foster an optimized illumination equilibrium.

The Company continues to achieve material progress with regard to the retrofit and licensing of its bell weather Delta Greenhouse Complex. Subsequent to the period end, the Company has been awarded a license from Health Canada, under the industrial hemp regulations of the Cannabis Act at the Delta Greenhouse Complex. The license equips the Company with cultivation, propagation, nursery and product formulation/manufacturing capabilities.

OVERALL PERFORMANCE (CONTINUED)

Glow LifeTech Ltd.

The Company jointly formed Glow LifeTech Ltd. with Relay Medical Corp. ("Relay") to identify and develop technologies within the global cannabis sector. The Company initially invested $200,000 for 36.5% of interest in Glow LifeTech Ltd. during the period ended June 30, 2019. On June 10, 2019, Glow Lifetech Ltd. closed a private placement and diluted the Company's interest to 23.4%. Relay is an evolving "Integrated MedTech Accelerator" headquartered in Toronto, Canada, acquiring early-stage technologies and inventions, advancing and preparing them for pre-commercial acquisitions in the HealthTech marketplace. The newly formed entity combines Relay's techno-commercial leadership with the Company's accumulated knowledge, expertise and access to cannabis industries across the sector. Glow LifeTech Ltd. will benefit from Relay's infrastructure, technical leadership and business knowledge for the research, vetting, product development and validation of innovative technologies and the Company will support the Company in the pursuit of technology opportunities in scientific validation, diagnostics, health & safety, screening, compliance and quality control/assurance within the cannabis industry.

ICC International Cannabis Corp.

During the period ended June 30, 2019, the Company partnered with International Cannabis Corp. ("ICC") to transfer the Company's portfolio of exotic, native Colombian cannabis genetics to ICC for international marketing and distribution purposes. The Companies genetics portfolio consists of rare, native cannabis strains from the regions of Valle del Cauca, Cauca, Magdalena and Antioquia in Colombia. Under the agreement, Pure Grow Medicinals S.A.S, the Company's wholly owned subsidiary, is transferring to ICC a library consisting of 20 unique strains that include both prominent tetrahydrocannabinol ("THC") and cannabidiol ("CBD") varietals, including highly soughtafter strains such as: Caucana, Purpura, Medellin Gold, Maroc.

The Company also entered into a five-year commercial rights and off-take agreement with ICC whereby the Company will sell up to 10,000,000 kg of premium dried cannabis flower produced from its Delta Greenhouse Complex to ICC over the next five years. Subject to the terms of the commercial rights and off-take agreement, the Company may sell up to 20,000 kg of dried cannabis per annum over the duration of the initial term. As a result of this commercial rights and off-take agreement, the Company has committed to allocating 10% of the Delta Greenhouse Complex's cumulative flower footprint to ICC.

Organic Flower Investments Group Inc.

Subsequent to the period end, on July 11, 2019, the Company completed a transaction relating to the acquisition of downstream and product formulation portfolio (the "Assets") from Organic Flower Investments Group Inc. ("Organic Flower"). Pursuant to the terms of an executed Asset Purchase and Sale Agreement (the "Agreement") this transaction reunites 70 percent of AgraFlora's joint venture entity Propagation Services Canada's ("PSC¨) 2,200,000 square foot Delta Greenhouse Complex under a consolidated corporate umbrella. As consideration the Company issued 348,109,251 common shares with a fair value of 120,097,692 for the following assets:

- 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 80000 retail endpoints/pharmacies spanning 16 countries; and
- An array of domestic downstream/product formulation operations comprised of:
  - Joint-Venture ("JV") with The Edibles and Infusions Corp.;
  - Exclusive partnership with a leading Toronto-based Brewhouse with planned output capacity of over 200000 HL per annum to formulate manufacture and distribute cannabinoid-infused beverages;
  - Canadian CBD cosmetics/topicals manufacturing company equipped with a vertically integrated farm-to-face model Canutra Naturals Ltd.;
  - 76 acres of un-zoned agricultural land with 1000 feet of river frontage in New Brunswick including 17500 square feet of commercial-grade facilities and 12 separate structures;
  - Health Canada awarded cannabis research licence and an Industrial Hemp License;

OVERALL PERFORMANCE (CONTINUED)

Organic Flower Investments Group Inc. (continued)

- Exclusive North American contract manufacturing and distribution agreement with the world's first professional sports team to introduce its own branded CBD-infused performance product line;
- Strategic procurement warehousing domestic/international product registration and regulatory representation capabilities;
- Exclusive cannabinoid-infused supply and distribution agreement with a premier Canadian Bottler;
- Sole Canadian manufacturer and distributor of an innovative beverage dispensing cap technology-equipped with a proprietary cannabinoid delivery mechanism;
- Proprietary manufacturing process and formulation catalogue for a Nicorette-inspired medicinal cannabinoid product line;
- Canadian exclusive rights to a catalogue of cannabinoid-infused product formulations;
- Exclusive rights to a portfolio of 57 registered trademarks in Canada for a diversified range of cannabis products and services; and
- Sub-licensing agreement exclusive sub-license to market and distribute patent-pending "THC overdose antidote".

AAA- Heidelberg

AAA Heidelberg is a licensed cannabis cultivation facility under Health Canada's Access to Cannabis for Medical Purposes Regulations ("ACMPR"). The AAA Heidelberg facility is equipped with five partitioned flower rooms, affording the Company ample canopy earmarked for ultra-premium craft cannabis cultivation. The Company is presently working to import a catalogue of premium craft cannabis genetics into its AAA Heidelberg facility, under a one-time declaration from Health Canada. Upon successful importation, the Company plans to initiate its first crop of ultra-premium cannabis at the London-based AAA Heidelberg facility.

Internal projections indicate that once fully optimized the AAA Heidelberg facility may achieve annualized dried cannabis production capabilities of circa 1,000,000 grams, including the successful recapture of 225,000 grams of premium cannabis trim to be manufactured into ancillary value-added cannabis products.

OVERALL PERFORMANCE (CONTINUED)

Eurasia Infused Cosmetics Inc.

Subsequent to the period end, the Company entered into a definitive agreement to acquire 50% of the issued and outstanding shares of Eurasia Infused Cosmetics Inc. ("Eurasia Infused"). The Company and Eurasia will collaborate to integrate the Company's vertically integrated, farm-to-face CBD processing, manufacturing and distribution model into the Asia Pacific region.

Eurasia Infused, by way of a commercial concession with Hong Kong domiciled CBD Group Asia Limited ("CBD Group Asia") controls a distribution agreement for CBD and hemp-derived beauty and wellness products for the territories of People's Republic of China ("China") and Hong Kong Special Administrative Region.

Management Changes

During the six months ended June 30, 2019, Brandon Boddy replaced Derek Ivany as Chairman director and CEO, the Company appointed Brian O'Neill as a director of the Company, and Peter Nguyen replaced Chris Cherry as CFO of the Company.

Outlook

Over the next quarter, the Company intends to continue vertical integration, with the following operating goals:

- Application and anticipated receipt of a Health Canada awarded Sales License;
- Application and anticipated receipt of a Health Canada awarded Processing License;
- Application and anticipated receipt of a Health Canada issued Export permit;
- Proposed on-site dispensary as per Alcohol and Gaming Commission of Ontario ("AGCO") regulations;
    - Potential 1,500,000-purchaser catchment area within a 90-minute radius
- Importation of a catalogue of premium craft cannabis genetics; Fully optimized production capabilities of circa 1,000,000 grams of ultra-premium dried craft cannabis flower, with potential production expansion based off surplus cultivation areas contemplated;
- Successful recapture of 225,000 grams of premium cannabis trim to be manufactured into ancillary value-added cannabis products;
- Successful harvest of inaugural ultra-premium craft cannabis crop; and,
- Proposed export of finished cannabis form factors to emerging marketplaces, including India and Thailand, achieving unit contribution of up to $15 per gram.

Concurrently, the Company plans to apply to Health Canada for both sales and processing licenses, with the objective of producing finished cannabis form factors for domestic distribution including, but not limited to high margin products such as soft gels, tinctures, distillates and THC oils. The Company also plans to conduct full analytical testing on terpene profiling and residual solvents for authorized clients upon application and receipt of appropriate licensing from Health Canada.

Furthering its vertically integrated mandate, the Company is also contemplating establishing an on-site dispensary at the AAA Heidelberg facility, as per Alcohol and Gaming Commission of Ontario ("AGCO") regulations, capitalizing on a 1,500,000-purchaser catchment area within a 90-minute radius. London, Ontario is Canada's 11th largest metropolitan area and is tactical located at the nexus of Toronto, Ontario, Detroit, Michigan and Buffalo, New York; affording the Company a lucrative opportunity to capture a significant portion of the cannabis tourism marketplace.

The Company is also considering submitting an application under Health Canada's Cannabis Act and Cannabis Regulations in accordance with Subsection 11(5) of the Cannabis Regulations, which would permit the Company to engage in the following value added activities:

- The sale and distribution of dried cannabis, fresh cannabis, cannabis plants and cannabis plant seeds to any of the following licence holders: micro cultivation, standard cultivation, processing, analytical testing, research or cannabis drug licence;

OVERALL PERFORMANCE (CONTINUED)

Outlook (continued)

- The sale and distribution of cannabis plants and cannabis plant seeds to a holder of a licence for a nursery;
- The sale and distribution of cannabis plants and cannabis plant seeds, that are cannabis products, to: a holder of a licence for sale, or a person authorized to sell cannabis under a provincial act by reason of Subsection 69(1) of the act;
- The sale and delivery of cannabis plants and cannabis plant seeds, that are cannabis products, to the purchaser of the products at the request of: a person authorized to sell cannabis under a provincial act by reason of Subsection 69(1) of the act, or a holder of a licence for sale.

Successful receipt of the above stated license would allow the Company to immediately engage in business-to-business ("B2B") sales to its strategic partners and/or other qualified licence holders under the Cannabis Act and Cannabis Regulations.

In addition, the Company's AAA Heidelberg facility has begun preparations to submit an application package for an Export permit under Health Canada's Cannabis Act and Cannabis Regulations, granting it the unique ability to permeate emerging locales with craft cannabis products at unit contributions of up to $15 per gram.

EQUITY TRANSACTIONS

Subsequent to period end, on August 21, 2019, the Company issued 15,000,000 common shares with a fair value of $4,050,000 pursuant to a Share Purchase Agreement dated August 19, 2019 with Eurasia Infused to acquire 50% of the issued and outstanding common and preferred shares of Eurasia Infused. In connection with the transaction, the Company issued a finder's fee of 1,500,000 common shares on August 21, 2019 with a fair value of $405,000.

Subsequent to period end, on August 21, 2019, the Company issued 919,355 common shares on exercise of options for a gross proceed of $85,500.

Subsequent to period end, on August 14, 2019, the Company issued 4,580,645 common shares on exercise of options for a gross proceed of $548,500.

Subsequent to period end, on August 12, 2019, the Company issued 319,551 common shares to settle $111,805 of debt for past consulting and other services provided.

Subsequent to period end, on August 1, 2019, the Company granted 30,000,000 stock options to certain directors, officers and consultants with an exercise price of $0.31 per option expiring August 1, 2024.

Subsequent to period end, on July 11, 2091, the Company completed the transaction pursuant to an Asset Purchase Agreement dated June 10, 2019 with Organic Flower Investments Group Inc. ("OFIG") whereby the Company acquired certain assets from OFIG. As consideration the Company issued 348,109,251 common shares with a fair value of 120,097,692.

During the period ended June 30, 2019, the former CEO and president resigned from the Company. The Company issued 3,750,000 common shares pursuant to an option exercise for $630,000 as departing compensation for past services.

On March 22, 2019, the Company closed a $20,000,000 third tranche of the $40,000,000 Equity Participation and Earn-In Agreement with Delta Organic Cannabis Corp. and issued 44,582,040 common shares of the Company at a price of $0.45 per share.

EQUITY TRANSACTIONS (CONTINUED)

On April 25, 2019 the Company issued 20,588,235 common shares with a fair value of $10,705,882 for the acquisition of 10% of PSC.

On April 25, 2019, the Company issued 10,000,000 common shares with a fair value of $5,200,000 to key personnel, including related parties, who are assisting with PSC and the 2.2 million square foot greenhouse project located in Delta, British Columbia.

On April 25, 2019 the Company issued 281,960 common shares with a fair value of $146,478 pursuant to a supply agreement entered into with Vendure Genetics Labs Inc. dated December 26, 2018 for the supply of certain cannabis plants and intellectual property rights.

On April 25, 2019 and June 26, 2019, the Company issued 1,250,000 and 1,250,000 common shares as the first and second allotment to a consultant with fair values of $650,000 and $525,000 respectively pursuant to a letter of intent (the "LOI"). As set out in the LOI, the Company agreed to issue a total aggregate of 5,000,000 common shares to the consultant with the remaining 2,500,000 common shares to be issued by December 25, 2019.

On May 28, 2019, the Company issued 2,000,000 common shares at a fair value of $780,000 to a non-related party as transaction costs in connection with the commercial rights and offtake agreement entered into with ICC International Cannabis Corp.

During the period ended June 30, 2019, the Company issued 17,125,000 common shares on the exercise of options for proceeds of $2,251,250. An amount of $1,596,567 was transferred from option reserve to share capital on exercise.

During the period ended June 30, 2019, 13,147,700 common shares on the exercise of warrants for proceeds of $1,051,816. An amount of $7,955 was transferred from warrant reserve to share capital on exercise.

On October 18, 2018, the Company closed a $12,500,000 first tranche of $40,000,000 Equity Participation and Earn-In Agreement with Delta Organic Cannabis Corp. and issued 27,863,775 common shares of the Company at a price of $0.448 per share.

On December 7, 2018, the Company closed a $7,500,000 second tranche of the $40,000,000 Equity Participation and Earn-In Agreement with Delta Organic Cannabis Corp. and issued 16,718,265 common shares of the Company at a price of $0.448 per share.

During the year ended December 31, 2018, the Company issued 10,000,000 common shares with a fair value of $1,460,000 for consulting services provided.

During year ended December 31, 2018 the Company issued 2,008,236 common shares with a fair value of $351,441 to settle $1,326,620 of debt, resulting in a gain on settlement of $975,179.

During year ended December 31, 2018 the Company issued 12,500,000 common shares with fair value of $2,187,500 to acquire the remaining outstanding shares of AAA-H, giving the Company 100% ownership of AAA-H.

During the year ended December 31, 2018, 25,405,150 warrants was exercised for proceed of $1,691,076. An amount of $35,136 was transferred from warrant reserve to share capital on exercise.

During the year ended December 31, 2018, 5,400,000 options was exercised for proceeds of $371,200. An amount of $275,559 was transferred from option reserve to share capital on exercise.

As at June 30, 2019, the Company had $Nil in subscription receivable, compare to $61,000 subscription received in December 31, 2018.

RESULTS OF OPERATIONS

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
EXPENSES				
Professional	$134,494	$ 41,340	$ 201,565	$ 62,725
Consulting and management	7,976,340	666,375	8,406,895	1,162,399
Development and compliance	42,531	38,098	42,531	44,392
Corporate development	1,439,494	163,331	2,507,840	298,125
Amortization	6,634	-	13,264	-
Office and sundry	19,054	41,510	36,807	72,931
Regulatory and transfer agent fees	251,332	62,425	269,054	109,288
Share-based compensation	1,661,595	-	6,625,672	2,054,508
Transaction costs	780,000	-	780,000	-
Loss on foreign exchange	52,365	-	52,365	-
	(12,363,839)	(1,013,079)	(18,935,993)	(3,804,368)
Other Items				
Unrealized gain (loss) on marketable securities	95,433	(131,250)	114,183	(237,500)
Share of loss on equity accounted investments	(380,370)	-	(483,268)	-
Gain on sale of assets	325,537	-	325,537	-
Net and comprehensive loss for the period	**$ (12,323,239)**	**$ (1,144,329)**	**$ (18,979,541)**	**$ (4,041,868)**
Net and comprehensive loss attributable to:				
Shareholders of Agraflora Organics International Inc.	$ (12,323,239)	$ (1,103,536)	$ (18,979,541)	$ (3,908,939)
Non-controlling interests	-	(40,793)	-	(132,929)
	$ (12,323,239)	**$ (1,144,329)**	**$ (18,979,541)**	**$ (4,041,868)**
Net loss per share – basic and diluted	**$ (0.03)**	**$ (0.00)**	**$ (0.04)**	**$ (0.01)**
Weighted average number of common shares outstanding	**475,229,890**	**292,715,685**	**434,035,177**	**290,177,130**

Results of Operations for the period ended June 30, 2019 and 2018

During the six and three-month period ended June 30, 2019 the Company completed a number of strategic cannabis acquisitions to grow its international operations. The Organic Flower acquisition completed subsequent to the period end has made the Company vertically integrated and will allow the Company to achieve high margins on the sales of cannabis as well as expand the company's distribution capabilities. For the comparative period, the Company had less acquisitions and was less active, with just the AAA-Heidelberg subsidiary. The previous period is therefore not indicative of the current period and therefore does not provide the reader with an appropriate benchmark to evaluate performance year over year.

During the period ended June 30, 2019, the Company incurred loss and comprehensive loss of $18,979,541 compared to $4,041,868 in the comparative period. Explanations of the nature of costs incurred, along with explanations for those changes in costs are discussed below for the six months ended June 30, 2019. The analysis and the discussions for the six and three months ended are similar:

- Share based compensation increased to $6,625,672 from $2,054,508 as the Company granted stock options to directors, officers and consultants and completed various acquisitions through share-based transactions. The Company uses share-based compensation as an alternative to incentivize the management term to return shareholder wealth and as an alternative form of payment to preserve cash. During the period ended, the Company issued 29,400,000 stock options with a weighted average price of $0.52 bearing terms of 1 to 5 years.

RESULTS OF OPERATIONS (CONTINUED)

- Consulting fees increased to $8,406,895 from $1,162,399 as the Company hired consultants and various fees in connection with the acquisitions. The Company relies heavily on Consultants to achieve its goals on all facets of business and these consultants bring a wide range of expertise and connections to the Company. Consultants include Management, Advisors, Technical Support and other support roles. The Company owns two state of the art Cannabis production facilities in Canada and a significant portion of the expenditures relates to consulting fees paid to various vendors on the development of the project as well as negotiations for the other downstream assets purchased during the period.
- Corporate development fees increased to $2,507,840 from $298,125. Corporate development consists of expenses incurred to increase the Company's global brand awareness and presence in the Cannabis industry. Q2 2019 was a crucial quarter for the Company, with the Company completing numerous acquisition's during and subsequent to the period.
- The Company entered into a commercial rights and offtake agreement with ICC and in consideration for facilitating the executive of the Offtake Agreement, the Company issued 2,000,000 common shares with a fair value of $780,000 to an arm's length third party as transaction costs. The Company did not incur any transaction costs in 2018.
- The Company continues to build its network of assets and through this process, the Company acquired interest in PSC in second half of 2018 and interest in Glow Lifetech Ltd. in 2019, resulting in loss on equity accounted investments of $483,268 for the period ended June 30, 2019.
- The gain on sale of assets increased to $325,537 from $Nil as the Company entered into a Cannabis Strain and Genetics Transfer Agreement with ICC International Cannabis Corp. ("ICC") on April 9, 2019 whereby the Company sold a portfolio of cannabis strains with a cost of $9,703 to ICC in exchange for 1,000,000 common shares of ICC. The ICC shares were issued on April 25, 2019 and had an initial fair value of $405,600. The Company recognized a gain on sale of $395,897.

Summary of Quarterly Results

The following table sets forth selected quarterly financial information for each of the last eight most recently completed quarters. This information is derived from audited financial statements prepared by management and unaudited interim condensed consolidated financial statements. The information is reported in accordance with IFRS and expressed in Canadian Dollars unless otherwise stated.

	2019		**2018**				**2017**	
	Qtr 2	**Qtr 1**	**Qtr 4**	**Qtr 3**	**Qtr 2**	**Qtr 1**	**Qtr 4**	**Qtr 3**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	-	-	-	-	-	-	-	-
Total assets	60,277,480	51,015,985	29,994,593	8,242,349	9,162,464	8,599,768	9,076,997	4,039,537
Long term liabilities	-	-	-	-	-	-	-	-
Net Loss	(12,323,239)	(6,656,302)	(458,515)	(1,319,835)	(1,144,329)	(2,897,539)	(1,021,133)	(387,191)
Basic and diluted loss per share	(0.03)	(0.02)	(0.00)	(0.01)	(0.01)	(0.01)	(0.04)	(0.01)

The amount and timing of expenses and availability of capital resources vary substantially from quarter to quarter, depending on the level of activities being undertaken at any time and the availability of funding from investors or collaboration partners. During Q1 and Q2 2019, the Company was funding for all the operations of the 2,200,000 sq. ft. greenhouse complex in Delta, BC and closed the acquisition of assets from OFIG subsequent to June 30, 2019, accounting for $18,979,541 increase since Q4 2018. Furthermore, the Company recorded non-cash transaction costs of $780,000, share based compensation of $6,625,672 and paid consultants with shares valued at $7,151,479. The Company completed several acquisitions during Q1 and Q2 2019 that required the consultation of lawyers, consultants and accountants, resulting in an overall increase in expenditures. Assets increased as the Company completed acquisition's during the period, increasing the overall value of investments, marketable securities, and prepaid deposits. Furthermore, the Company updated its management and paid former management members departing compensation for their past services in Q2 2019.

LIQUIDITY

Liquidity and Capital Resources

The financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Continuing operations, as intended, are dependent on management's ability to raise required funding through future equity issuances, its ability to execute the Company's business interests and develop profitable operations or a combination thereof, which is not assured, given today's volatile and uncertain financial markets. The Company may revise the Company's business programs depending on its working capital position.

The Company has financed its operations to date through the issuance of common shares.

	June 30, 2019 $	**December 31, 2018 $**
Working capital	17,823,175	11,071,721
Liabilities	959,961	324,632
Deficit	(41,207,649)	(22,279,489)

Other than the above mentioned current liabilities, the Company has no short-term capital spending requirements and future plans and expectations are based on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. There can be no assurance that the Company will be able to obtain adequate financing in the future or if available that such financing will be on acceptable terms. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests

The Company's future revenues, if any, are expected to be from the sale of hemp and cannabis and their related derivatives. The economics of developing and producing cannabis are affected by many factors including the cost of operations, variations in the quality of cannabis, and the price of cannabis and related derivatives. There is no guarantee that the Company will be able to successfully develop its production facilities and distribution channels.

Liquidity and Capital Resources – Cash Flow

Operating Activities:

During the period ended June 30, 2019, $7,852,887 (2018 - $1,293,230) cash was used in operating activities. This consisted mainly of cash paid for consulting, corporate development, due diligence and day to day expenditures related to the various acquisitions completed during the period. Included in prepaid expenses are $3,353,000 (2018 - $Nil) in advances to entities acquired from OFIG subsequent to period ended June 30, 2019, including deposit for Brunswick Bier Works Inc, advances to Edibles and Infusions Corp., deposit for Mile High Food Services, and deposit for Trichome Cannabrands. Other prepayments include prepaid marketing fees, prepaid insurances and deposits to other vendors. The Company recorded non cash stock based compensation of $6,625,672 and shares issued for service of $7,151,479.

Financing Activities:

During the period ended June 30, 2019, $23,364,066 (2018 - $1,887,796) of cash was provided by financing activities. The Company raised $20,000,000 pursuant to an earn-in agreement with DOCC (2018 - $Nil), exercised warrants for gross proceeds of $1,051,816 (2018 - $990,036) and exercised stock options for gross proceeds of $2,251,250 (2018 - $300,700).

LIQUIDITY (CONTINUED)

Investing Activities:

During the period ended June 30, 2019, $14,540,482 (2018 - $1,185,938) was used in investing activities. This primarily consists of payments made on investments made in PSC, Best Cannabis Products Inc., Glow Lifetech Ltd and other marketable securities. The Company is also working on funding the needs of the Company's subsidiaries.

Management's current strategy is to continue vertical integration through acquisition and partnership with different companies. The Organic Flower acquisition in Q2 2019 has made the company truly vertically integrated and will allow AgraFlora to achieve high margins on the sales of cannabis as well as expand the company's distribution capabilities. Edible prices generate extremely attractive margins and this market segment will allow the company to be very profitable. The edibles industry in the US and Canada is expected to double in the next 3 years and Agraflora through the Organic Flower acquisition now has assets in every part of the value chain. The Company will also issue shares to raise funds as necessary.

In the event that proceeds from any future financings are insufficient to cover planned expenditures, Management will allocate available resources in such manner as deemed to be in the Company's best interest. This may result in a significant reduction in the scope of existing and planned operations.

These financial statements do not reflect any adjustments related to the recoverability and classification of assets or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that would potentially affect current or future operations or the financial condition of the Company.

PROPORSED TRANSACTIONS

The Company does not currently have any proposed transactions approved by the Board of Directors. All current transactions are fully disclosed in the interim consolidated financial statements for the period ended June 30, 2019.

INVESTOR RELATIONS

The Company has not entered into any investor relations contracts and all investor relation activity is carried out by directors and officers of the Company.

COMMITMENTS

During the period ended June 30, 2019, the Company entered into Supply Agreement with Vendure Genetics Labs Inc. ("Vendure") to purchase from Vendure certain plants, plant matter, related plant-based products and Vendure's right, title and interest, including the intellectual property rights in the products for a purchase price of $200,000 (paid) and 281,690 common shares (issued with a fair value of $146,478). Under the agreement, the Company is committed to issue a further $200,00 worth of common shares at the time of awarding Cannabis Cultivation license, and a further number of shares equal to $150,000 per year on each of March 31, 2020, March 31, 2021, March 31, 2022, and March 31, 2023.

CONTINGENT LIABILITY

On May 18, 2011, the Company received an order granted by a court in Lima, Peru indicating that the Company is responsible for a debt of US$209,403 incurred by a former subsidiary of the Company. The Company did not receive notice of the Peruvian legal proceedings and is seeking advice concerning an application to set aside the order. The Company retained Peruvian legal counsel who advised that the Company is not responsible for this obligation.

CONTINGENT LIABILITY (CONTINUED)

The most recent contact from Peru indicates that the order has been dropped but the Company has not received formal notice of such release. No amounts have been recorded in the Company's books and records regarding this issue.

RELATED PARTY TRANSACTIONS

The Directors and Executive Officers of the Company as of the date of this report are as follows:

Brandon Boddy	CEO and Chairman
Peter Nguyen	CFO
Jan Urata	Corporate Secretary
Brian O'Neill	Director
Jerry Habuda	Director
Joseph Perino	Director

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the six months ended June 30, 2019 and 2018:

Six months ended June 30, 2019	Consulting and Management Fees	Share-based compensation
Cherry Consulting Ltd (former CFO)	$ 59,955	$ 70,355
Elben Capital Inc./ Derek Ivany/Equity Analytics Inc. (former CEO)	1,155,483	-
Clairewood Partners / David Parry	230,000	678,127
Christopher Hornung	60,000	132,438
Jerry Habuda	-	76,154
Brian O'Neill	-	99,349
Joseph Perino	-	76,154
Jan Urata	-	48,010
Brandon Boddy	-	710,200
	$ 1,505,438	$ 1,890,787

Six months ended June 30, 2018	Consulting and Management Fees	Share-based compensation
Christopher Hornung	$ -	$ -
Cherry Consulting Ltd	18,600	-
Elben Capital Inc./ Derek Ivany/Equity Analytics Inc.	59,000	617,898
FourOneSix Inc.	125,000	308,949
Clairewood Partners / David Parry	22,000	617,898
	$ 224,600	$ 1,544,745

Amounts due to and due from former related parties are unsecured, non-interest bearing and due on demand. At June 30, 2019, $712,570 (December 31, 2018 - $31,841) is owing to former related parties for unpaid fees, which are included in accounts payable and accrued liabilities.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The carrying values of cash, amounts receivable, advances to related parties, loans receivable, accounts payable and accrued liabilities, and advances from related parties approximate their carrying values due to the immediate or short-term nature of these instruments.

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

The loan receivable exposes the Company to credit risk and the Company has limited this exposure by securing one of the loans with collateral; and the other loan is unsecured.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2019 the Company had cash balance of $11,689,585 (2018 - $10,718,888) to settle accounts payable and accrued liabilities of $959,961 (2018 - $324,632).

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk
Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates. The Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and current financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency. The Company does not have significant items in other currencies.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders. The availability of new capital will depend on many factors including positive stock market conditions, and the experience of management. The Company is not subject to any external covenants on its capital.

ADDITIONAL SHARE INFORMATION

The Company have completed a subdivision (the "Stock Split") of its issued and outstanding common shares on the basis of five (5) new common shares for every one (1) common share held by the shareholders of record as at November 19, 2018

Taken the Stock Split into account, as at June 30, 2019, the Company had 489,922,981 common shares outstanding, no warrants outstanding and 36,650,000 stock options outstanding with exercise prices ranging from $0.093 to $0.55 and expiring at various dates to October 31, 2023.

As at the date of this MD&A, the Company had 873,405,880 common shares outstanding, no warrants outstanding and 66,400,000 stock options outstanding with exercise prices ranging from $0.093 to $0.55 and expiring at various dates to August 1, 2024.

NEW SIGNIFICANT ACCOUNTING POLICIES

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. The Company has not early-adopted this standard. Since the Company has no leases, there was no material impact on the Company's financial statements upon adoption of this standard.

OTHER RISKS AND UNCERTAINTIES

In conducting its business, the Company is subject to a number of other risks and uncertainties that could have a material adverse effect on the Company's business prospects or financial condition that could result in a delay or indefinite postponement in the development of the Company's interests.

Going concern

The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its on-going commitments.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

Risks Related to the Company's Business

This section discusses factors relating to the business of Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Company may face risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner.

Reliance on Licensing

The ability of the Company to continue its business of growth, storage and distribution of medical marijuana is dependent on the good standing of all licenses, including the licenses to produce and sell cannabis and hemp derivatives, and adherence to all regulatory requirements related to such activities. Any failure to comply with the terms of the licenses, or to renew the licenses after their expiry dates, would have a material adverse impact on the financial condition and operations of the business of the Company.

Although the Company believes that it will meet the requirements of future extensions or renewals of the licenses, there can be no assurance that the regulating bodies will extend or renew the licenses, or if extended or renewed, that they will be extended or renewed on the same or similar terms. Should the regulatory bodies not extend or renew the licenses, or should they renew the licenses on different terms, the business, financial condition and operating results of the Company would be materially adversely affected.

Change in Law, Regulations and Guidelines

The Company's business is subject to a variety of laws, regulations and guidelines relating to marketing, distribution, cultivation, management and sale and disposal of medical marijuana but also laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines may cause adverse effects to the Company's operations. The Liberal Party of Canada, which has formed the current federal Government of Canada, has made electoral commitments to legalize, regulate and tax recreational cannabis use in Canada. On April 13, 2017, the Government of Canada introduced the Cannabis Act. On June 19, 2018, Prime Minister Justin Trudeau announced that the Cannabis Act and its regulations will come into force in Canada on October 17, 2018, on order to provide the provinces and territories time to prepare for retail sales. The Cannabis Act passed its final legislative step and received Royal Assent on June 21, 2018. The legislative framework pertaining to the Canadian recreational cannabis market will be subject to significant provincial and territorial regulation.

Regulatory Risk

Achievement of the Company's business objectives are contingent, in part, upon compliance with the regulatory requirements, enacted by these government authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by government authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the Company's business, results of operation and financial condition.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

Realization of Growth Targets

The Company's ability to produce marijuana is affected by a number of factors, including plant design errors, non-performance by third party contractors, increases in materials or labour costs, construction performance falling below expected levels of output or efficiency, environmental pollution, contractor or operator errors, breakdowns, aging or failure of equipment or processes, labour disputes, as well as factors specifically related to indoor agricultural practices, such as reliance on provision of energy and utilities to the facility, and potential impacts of major incidents or catastrophic events on the facility, such as fires, explosions, earthquakes or storms.

Limited Operating History and No Assurance of Profitability

The Company is subject to all of the business risks and uncertainties associated with any early stage enterprise, including under-capitalization, cash shortages, limitation with respect to personnel, financial and other resources, and lack of revenues. The Company has incurred operating 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 operating expenses as it implements initiatives to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable. There is no assurance that the Company will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of the early stage of operations.

Unfavourable Publicity or Consumer Perception

The success of the medical marijuana industry may be significantly influenced by the public's perception of marijuana's medicinal applications. Medical marijuana is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to medical marijuana will be favourable. The medical marijuana industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical marijuana is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of medical marijuana may have a material adverse effect on our operational results, consumer base and financial results.

Additional Financing

There is no guarantee that the Company will be able to execute on its strategy. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business strategy or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. 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 obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

Uninsured or Uninsurable Risk

The Company may be subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's normal business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

Key Personnel

The Company's success will depend on its directors' and officers' ability to develop and execute on the Company's business strategies and manage its ongoing operations, and on the Company's ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants now that production and selling operations have begun. The loss of any key personnel or the inability to find and retain new key persons could have a material adverse effect on the Company's business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense, and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact the Company's operations.

Strategic Alliances

The Company currently has, and may in the future enter into, strategic alliances with third parties that the Company believes will complement or augment its existing business. The Company's ability to complete 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 our business, and may involve risks that could adversely affect the Company, including significant amounts of management time that may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve, or that the Company's existing strategic alliances will continue to 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. Any of the foregoing could have a material adverse effect on the Company's business, financial condition and results of operations.

New Product Development

The medical cannabis industry is, and the recreational cannabis industry will be, in its early stages of development and it is likely that the Company, and its competitors, will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company may need to expend significant amounts of capital in order to successfully develop and generate revenues from new products introduced by the Company. As well, the Company may be required to obtain additional regulatory approvals from Health Canada and any other applicable regulatory authority, which may take significant amounts of time. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

Litigation

The Company may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and we could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages. While the Company has insurance that may cover the costs and awards of certain types of litigation, the amount of insurance may not be sufficient to cover any costs or awards. Substantial litigation costs or an adverse result in any litigation may adversely impact the Company's business, operating results or financial condition.

Agricultural Operations

Since the Company's business will revolve mainly around the growth of medical marijuana, an agricultural product, the risks inherent with agricultural businesses will apply. Such risks may include disease and insect pests, among others. Although the Company expects to grow its product in a climate controlled, monitored, indoor location, there is no guarantee that changes in outside weather and climate will not adversely affect production. Further, any rise in energy costs may have a material adverse effect on the Company's ability to produce medical marijuana.

Transportation Disruptions

The Company will depend on fast, cost-effective 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. Rising costs associated with the courier service used by the Company to ship its products may also adversely impact the business of the Company and its ability to operate profitably.

Fluctuating Prices of Raw Materials

The Company's revenues will be derived from the production, sale and distribution of marijuana. The price of production, sale and distribution of marijuana will fluctuate widely due to how young the marijuana industry is and is affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods. The effect of these factors on the price of product produced by the Company and, therefore, the economic viability of any of the Company's business, cannot accurately be predicted.

Political and Economic Instability

The Company may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in medicine and agriculture development or investment policies or shifts in political attitude in certain countries may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The effect of these factors cannot be accurately predicted.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

Growth Expansion Efforts

There is no guarantee that the Company's intentions to acquire and/or construct additional cannabis production and manufacturing facilities in Canada and in other jurisdictions with federal legal cannabis markets, and to expand the Company's marketing and sales initiatives will be successful. Any such activities will require, among other things, various regulatory approvals, licenses and permits and there is no guarantee that all required approvals, licenses and permits will be obtained in a timely fashion or at all. There is also no guarantee that the Company will be able to complete any of the foregoing activities as anticipated or at all. The failure of the Company to successfully execute its expansion strategy (including receiving required regulatory approvals and permits) could adversely affect the Company's business, financial condition and results of operations and may result in the Company failing to meet anticipated or future demand for its cannabis-based pharmaceutical products, when and if it arises. Moreover, actual costs for construction may exceed the Company's budgets. As a result of construction delays, cost overruns, changes in market circumstances or other factors, the Company may not be able to achieve the intended economic benefits from the construction of the new facilities, which in turn may materially and adversely affect its business, prospects, financial condition and results of operations.

Execution of Future Acquisitions or Dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Company's operations, and (vi) loss or reduction of control over certain of the Company's assets. The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the results of operations, business prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Market Risk for Securities

The market price for the Common Shares of the Company could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Competition

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 more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Because of the early stage of the industry in which the Company intends to operate, the Company expects to face additional competition form new entrants. If the number of users of medical marijuana in Canada 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. To be competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially affect the business, financial condition and results of operations of the Company.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

Global Economy

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while it establishes a user base for its products. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the trading price of the Company's shares on the Exchange.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on the SEDAR at www.sedar.com.