



**AGRAFLOA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)**

Management's Discussion and Analysis

For the Nine Months Ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

**AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Management's Discussion and Analysis
For the period ended September 30, 2019 and 2018**

Date: November 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 nine months ended September 30, 2019 should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes for the nine months ended September 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 November 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;

INTRODUCTION (CONTINUED)

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".

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Management's Discussion and Analysis
For the period ended September 30, 2019 and 2018

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 Agrafloora 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".

The Company 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. The Company is also retrofitting a 51,500-square-foot good manufacturing practice ("GMP") edibles manufacturing facility in Winnipeg, Manitoba (the "Winnipeg Edibles Facility"). The Company has a successful record of creating shareholder value and is actively pursuing other opportunities within the cannabis industry.

OVERALL PERFORMANCE

During the period ended September 30, 2019, in preparation for the next phase of cannabis normalization, as well as the associated Regulations, the Company has executed on an assertive corporate acquisition stratagem, amassing a diverse portfolio of vertically integrated cannabis assets and industry partnerships; focused on the following mandates:

- Innovative derivative product manufacturing;
- Defendable cannabinoid-infused edibles, beverage and topical formulation methodologies;
- Diverse brand platforms and trademark aggregation;
- Finished cannabis form factors; and,
- Quality assurance/control of input product for R&D and derivative product development;

Culminating with the Company's recent acquisition of a suite of unique downstream and cannabinoid product formulation assets from Organic Flower Investments Group Inc. ("Organic Flower"), the Company now boasts the following upstream/downstream operations, partnerships, off-take agreements, exclusive licenses and asset exposure:

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 "Delta Facility"). 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;

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Management's Discussion and Analysis
For the period ended September 30, 2019 and 2018

OVERALL PERFORMANCE (CONTINUED)

Propagation Services Canada (continued)

- 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. To date, the Company has deployed over C\$30,000,000 in plant, property and equipment expenditures at its Phase 1 Delta Facility retrofit in preparation for receipt of its standard cultivation license from Health Canada.

The Company's Delta Facility is second in size and magnitude only to the Smiths Falls facility owned by Canopy Growth Corp., the world's largest cannabis company. By way of additional comparison, the Company's Delta Facility is 100,000 square feet larger than Aurora Cannabis Inc.'s facility in Edmonton, Alberta and it is also more than 700,000 square feet larger than the current size of the Leamington facility owned by Aphria Inc.

The Company's internal forecasts indicate that upon receipt of its aforementioned standard cultivation license from Health Canada, the Company will become the fourth-largest licensed producer ("LP") in Canada by 2020 financed production metrics; strategically positioned in close proximity to Canada's largest cannabis economic centers: Toronto and Vancouver.

The Company's esteemed Delta Facility partners, the Houweling's Group, bring 40 years of greenhouse experience and agricultural expertise to the project, as well as established infrastructure with a replacement cost of circa C\$190 million. The Houweling's Group is a fully vertically integrated organization with a total of 8.4 million square feet of greenhouse space in Canada and the United States, and more than 200 employees. They have employee groups working in growing, harvesting, distribution, administration, information technology and finance. The Company plans to commence Phase 2 of the Delta Greenhouse Complex retrofit in December of 2019, which will include:

- 10 flower rooms with over one million square feet of canopy;
 - 40,000 square feet of EU-GMP postharvest/processing space;
- Equipped with ozone-rich drying rooms • Installation of an industrial kitchen; and,
- Workflow design to include commercial CO2 and Ethanol extraction capabilities.

The Edibles and Infusions Joint Venture

By way of an executed Asset Purchase Agreement (the "Agreement") with Organic Flower, the Company controls an 80% interest in The Edibles and Infusions Corp. ("Edibles and Infusions"), a joint venture ("JV") with one of North America's largest and most storied manufacturer and distributor of chocolate and sugar confectionary products. Upon successful receipt of appropriate Health Canada Licensing, the JV will produce an assort of both cannabinoid/terpene-infused products for medicinal, functional and adult use.

The Company's JV partner 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.

Equipped with a roster of experienced chocolatiers and confectioners, as well as established industry relationships and best-in-class supply chain management infrastructure, the Company's JV partner currently manufactures and distributes several hundred unique stock keeping units ("SKUs").

OVERALL PERFORMANCE (CONTINUED)

The Edibles and Infusions Joint Venture (continued)

Subsequent to period end, the Company was awarded a 5-year cannabis research license from Health Canada under the Cannabis Regulations Act for the Winnipeg Edibles Facility. Upon receipt of appropriate Health Canada licensing, the Company will supply the JV with inputs for the edibles manufacturing process such as artisanal, ultra-premium dried cannabis flower, as well as premium cannabis trim from its Delta Greenhouse Complex and ACMPR licensed AAA Heidelberg facility.

Receipt of full-spectrum cannabinoid concentrates is expected post licensing to assist with product development and ancillary research and development activities. The Company has completed construction of its 750 square foot, pharmaceutical-grade research and development laboratory (the "R&D Laboratory") at the Winnipeg Edibles Facility.

The Company's R&D Laboratory boasts a comprehensive suite of made-to-order cannabinoid-testing and product formulation equipment, including:

- High Performance Liquid Chromatography ("HPLC");
- Microbiological testing instruments;
- Custom confectionery testing, manufacturing and origination/formulation technologies;
- Deposit throughput in excess of 1000 pieces of premium chocolates or gummy edibles per hour;
- Proprietary triple shot depositor capable of producing infused chocolate or liquid filled center in shell pieces, as well as a full vacuum pressure confectionery-cooking system.

The Company's Winnipeg Edibles Facility is also equipped with over 30,000 square feet of dedicated edibles production space, giving it the ability to formulate and mass produce cannabinoid-infused fruit/vegetable purees, which conform to the more rigorous Cannabis 2.0 regulations instilled by the Province of Quebec. This unique product development capability will permit the capture of defendable market share of the edibles, topicals and concentrates industry in Canada's second most populous province. Once activated, the Winnipeg Edibles Facility will be operated by a roster of third generation chocolatiers/confectioners and boasts state-of-the-art manufacturing equipment capable of producing an assortment of both cannabinoid/terpene-infused products for medicinal, functional and adult use.

Canutra Naturals Ltd.

Pursuant to the terms of an executed asset purchase and sale agreement between Organic Flower and the Company, the Company now owns 100% of Canutra Naturals Ltd. ("Canutra"). Canutra manufactures and distributes premium personal care, cosmetics and cannabinoid-infused product lines including a suite of trusted consumer brands such as Whole Hemp Health; a Canadian all-natural, hand-made skin care line, formulated with 100-per-cent-Canadian organic hemp seed oil. Canutra markets its Whole Hemp Health products by way of brick-and-mortar retail outlets, Amazon Prime, as well as direct to consumer, through an integrated Shopify e-commerce platform.

Canutra owns and operates 76 acres of unzoned, arid agricultural land, including 1,000 feet of river frontage in New Brunswick. The New Brunswick campus, formerly a federally owned farm and research facility, boasts over 17,500 square feet of commercial-grade production facilities, as well as 12 separate free-standing structures. This acquisition equips the Company with robust cultivation, extraction, manufacturing and distribution capabilities from the company's New Brunswick facility.

In September 2019, Canutra has been awarded a cannabis research licence (the "Research License") by Health Canada under the Cannabis Regulations Act. The Research License permits Canutra to pursue the development of proprietary cannabis genetics and phenotypes.

Canutra continues to demonstrate its leadership with regards to cannabis-derived CPGs, due to its Health Canada awarded Research License and continued collaboration with UM. The company also continues to achieve material advancements throughout its IP development and aggregation initiatives, including:

- High CBD hemp cultivation techniques;
- Advanced extraction methodologies;

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Management's Discussion and Analysis
For the period ended September 30, 2019 and 2018

OVERALL PERFORMANCE (CONTINUED)

Canutra Naturals Ltd. (continued)

- Cultivar development;
- Inoculation formulations; and
- Proprietary cannabinoid profiles for future skin care product lines.

Subsequent to period end, the Company received a purchase order from Tobmar Newstands ("TN") for its Whole Hemp Health organic lip balm SKU. TN's purchase order and subsequent listing of a secondary SKU secures additional high visibility Canadian shelf space for the Company's expanding line of organic cannabis sativa seed oil infused consumer packaged goods ("CPGs").

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 completion of a test harvest, as well as the associated test crop submissions and approvals from Health Canada, the Company plans to apply for both sales and processing licences at its AAA Heidelberg craft cannabis facility; with the objective of producing finished cannabis form factors for domestic distribution including, soft gels, tinctures, distillates and THC oils.

Non-Alcoholic Cannabinoid-Infused Beers and Ciders Formulation

Through an exclusive partnership agreement with a leading Toronto-based brewery (the "Brewhouse"), the Company holds claim to the exclusive formulation, manufacturing and distribution rights for all cannabinoid-infused beverages developed at said Brewhouse. This exclusive partnership provides the Company with preeminent 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, including:

- Non-alcoholic beers;
- Seltzers; and,
- Ready-to-drink ("RTDs") beverages.

Equipped with custom production equipment and a captive research, development and testing facility, as well as a state-of-the-art brewing infrastructure, the Brewhouse is armed with annual output capacity capabilities of 120,000 hectolitres ("hl"). By comparison, Canadian brewer Steam Whistle Brewing produces approximately 95,000 hl on an annualized basis.

The Brewhouse is nearing completion of major facility retrofit initiatives, which are projected to increase its output capacity to over 200,000 hl per annum. Upon completion of the retrofit, aggregate capital expenditures deployed on the Brewhouse build out will exceed \$20 million.

Nicorette-Inspired Sublingual Cannabinoid Product Line

The Company has secured the exclusive North American rights to a proprietary manufacturing system, enabling the production of cannabinoid-infused therapeutic gum, chewable tablets and capsules. The Company's next-generation line of medicinal-use cannabis products is inspired by popular demand of Nicorette's branded therapeutic products, boasts the following:

- Proprietary dual-delivery technology: advanced patented processes reduce surface tensions, increase binding of molecules and enable homogenous mixing;

OVERALL PERFORMANCE (CONTINUED)

Nicorette-Inspired Sublingual Cannabinoid Product Line (continued)

- Rapid sublingual activation: optimized absorption methodologies facilitate a rapid onset within the first 15 minutes of application; and,
- Metabolism efficacy: metabolizes in the liver to create a more lasting effect.

Library of Patented Product Formulations

The Company has also obtained the Canadian exclusive rights to a catalogue of cannabinoid-infused product formulations from a global formulation provider with over three decades of experience working with leading consumer product goods (“CPG”) brands. The Company has engaged a roster of food engineers, nutritionists and scientists to optimize bioavailability, consistent dosing protocols and flavouring of the Company’s licensed formulations.

The Company will continue to leverage its production and processing assets, while further activating its downstream activities by launching cannabinoid-infused beverages, edibles and personal care products; specifically formulated with patented micro diffusion technologies. These proprietary formulation and manufacturing processes are specifically adapted to ensuring consistent dose delivery, while maintaining taste and texture integrity.

Beverage Bottling and Downstream Distribution

The Company holds claim to a complementary exclusive cannabinoid-infused beverage supply and distribution agreement with a Canadian bottling facility (the “Bottler” or the “Facility”). The Facility is strategically situated in the Greater Toronto Area (“GTA”), affording the Company unbridled access to the largest addressable Canadian marketplace. The Facility is equipped with state-of-the-art bottling equipment, configured to conduct rapid production runs, with minimal downtime for production line changeovers. Fully operational, the Facility has been granted the following industry certifications:

- Good manufacturing practices (“GMP”);
- Canadian organic standards;
- Certified vegan;
- Fair trade certification (“ISO 17065”); and,
- Kosher facility status.

The Company will leverage the Facility to produce a suite of both cannabinoid-infused and functional beverages. The Facility is currently configured to produce formulations for water, coffee, tea, juice and carbonated sodas in a variety of formats, including glass bottles, polyethylene terephthalate (“PET”) bottles and aluminum cans.

Trademark Portfolio

Pursuant to the terms of an executed asset purchase and sale agreement between Organic Flower and the Company, the Company now owns 100% Trichome Cannabrands Inc. (“Trichome”), which has 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;

OVERALL PERFORMANCE (CONTINUED)

Trademark Portfolio (continued)

- 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 flavorings, beverages made of coffee and tea;
- Cannabinoid infused beers and ciders: alcoholic-based beverages, alcoholic fruit beverages and alcoholic tea-based beverages.

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

THC Overdose Antidote

The Company has been granted the Canadian exclusive sublicense (the "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 ten years. The Company will market and distribute True Focus into the company's 17,500 North American points of distribution. Delivered to the end-consumer through a pocket-sized, user-friendly spray bottle, True Focus's revolutionary formulations are to be ingested in a sublingual (under the tongue) manner.

True Focus boasts 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.

True Focus's patent-pending formulation offers a unique solution to alleviating undesirable symptoms associated with a THC overdose. The Company holds the exclusive Canadian True Focus sublicense, which permits the domestic marketing, distribution and development of True Focus's product suite and proprietary intellectual property portfolio.

Strategic Investments

Over the past three quarters, the Company also made several key strategic investments below:

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 37.5% of interest in Glow LifeTech Ltd. 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.

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Management's Discussion and Analysis
For the period ended September 30, 2019 and 2018

OVERALL PERFORMANCE (CONTINUED)

Strategic Investments (continued)

ICC International Cannabis Corp.

During the period ended September 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 Company's 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") varieties, including highly sought-after 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.

Further to the commercial rights and off-take agreement (the "Agreement"), the Company has entered into a complementary cooperation agreement (the "Co-Op Agreement"). Under the terms of the Co-Op Agreement, a party to the original Agreement has subscribed to a non-brokered private placement (the "Offering") at a 28.2% premium to the Company's five day VWAP of C\$0.234; for total proceeds of C\$2,000,000. In consideration for the Offering, the Company has agreed to defer payment (the "Deferred Payments") for the initial C\$2,000,000 purchase of dried cannabis flower, under the previously announced Agreement. Such Deferred Payments shall be repaid in equal portions of C\$250,000 across the subsequent C\$8,000,000 in anticipated dried cannabis flower purchases.

In connection with the Offering, the Company has issued 6,666,667 transferable special warrants (the "Special Warrants") to one purchaser at a price of C\$0.30 per Special Warrant. Each Special Warrant is convertible into units (the "Units") with each Unit consisting of one common share (the "Shares") of the Company and one transferable common share purchase warrant (the "Warrants"), with each Warrant entitling the holder thereof to purchase one additional Share of the Company at a price of C\$0.50 per Share for a period of 36 months from the date of issuance of the Warrants.

Eurasia Infused Cosmetics Inc.

The Company entered into a definitive agreement to acquire 50% of the issued and outstanding shares of Eurasia Infused Cosmetics Inc. Joint Venture ("Eurasia Infused"). The Company and Eurasia Infused 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. This distribution agreement extends to the Company's existing portfolio of CBD-infused and organic cannabis sativa seed oil derived product suite. Hong Kong domiciled CBD Group Asia Ltd., has previously distributed premium Canadian CPGs into China's largest retail chains and C-stores, including RT-Mart International Ltd. ("RT Mart") and Carrefour SA. RT Mart alone operates over 484 retail locations covering 233 cities and 29 provinces in China and generated \$20 billion in sales in 2018.

OVERALL PERFORMANCE (CONTINUED)

Strategic Investments (continued)

Subsequent to period end, Eurasia Infused issued the Company an initial purchase order to supply its organic cannabis sativa seed oil infused face serum and lip balm. This initial purchase order will secure high-visibility Asia Pacific shelf space for the Company's existing CPG product offering. The Company and CBD Group Asia have collaborated on a variety of product customization, branding and distribution initiatives, with the objective of tailoring the Company's product offering for rapid uptake into the Asian CPG markets. Eurasia's continuing CPG customization and distribution deliverables, culminating with this initial PO, include the following:

- Brand testing, focus groups and data mining initiatives;
- Successful YuShop Global (HK) Ltd. product listings for CBD-infused CPGs:
 - Active user footprint of over 500 million consumers; and
 - Permits immediate access to China/Hong Kong's burgeoning CBD-infused CPG marketplaces;
- National CPG listings, leveraging CBD Group Asia's high-traffic distribution channels, including the introduction of high-traffic retail channel partners, as well as 1,500 luxury health spas;
- Organic cannabis sativa certificate of analysis ("COA") authorization;
- Product and packaging customization;
- Development of a full-spectrum CBD facial serum, infused with hemp root oil;
- Initial three SKUs fully customized/import certified for the Chinese/Hong Kong marketplaces packaged for shipment from the Company's co-packer to fulfill POs;
- Architecture of a network of Chinese Canutra/Whole Hemp Health-branded pop-up shops, further expanding the Company's retail footprint and brand presence in an economical and contemporary manner; and
- Integration into CBD Group Asia's proprietary direct to customer Asian sales WeChat platform providing unencumbered daily access to 1.08 billion current WeChat customers.

Eurasia Infused is positioned to capitalize on current and future market trends in the rapidly expanding global cannabinoid-infused CPG space. Existing turnkey cultivation/manufacturing capabilities further bolster the Eurasia Infused's ability to swiftly expand the breadth of its current product line to more than 40 SKUs.

Eurasia Infused will work to integrate Cannessence, the Company's recently announced terpene-infused, organic cannabis sativa seed oil formulation, into its distribution channels. Cannessence when coupled with organic cannabis sativa seed oil, will boast a uniquely formulated terpene profile resulting in amplification of the activation of the endocannabinoid system (the "ECS"), optimization of cannabinoid uptake and standardization of pharmacological effects within the ECS of both humans and pets. Eurasia Infused anticipates that it will market its Cannessence product portfolio in capsule, topical and tincture format and aims to position Cannessence within the marketplace as an over-the-counter (OTC) substitute to conventional CBD.

The Good Company GmbH

Subsequent to period end, the Company announced the acquisition of 100% of the issued and outstanding shares of The Good Company GmbH, the parent company of German European Union good distribution practice medical cannabis distributor, Farmako GmbH ("Farmako").

Farmako is a leading European medical cannabis distributor, headquartered in Frankfurt, Germany, with affiliated companies in the United Kingdom, Luxembourg and Denmark. Farmako is equipped with the following German and European industry certifications and distribution licenses, affording the company unparalleled access to Germany's exponentially growing medical cannabis marketplace. Farmako's German distribution network extends over 19,800 pharmacies and comprises an aggregate patient population of over 100,000 unique individuals.

The Company will pursue the processing of EU-GMP-compliant cannabis products from its flagship 2.2- million square foot Delta Facility for integration into Farmako's European distribution channels. EU-GMP certified cannabis products are eligible for import/export and sale in the European Union. European Good manufacturing practice (EU-GMP) certification is an internationally recognized system, mandated with ensuring all produced goods meet the highest consumer health and safety standard. Planned German distribution of cannabis products produced at its Delta facility, at a forecasted unit contribution of 80 cents per gram, affords the Company the opportunity to achieve unparalleled retail margins due to its seed-to-sale vertical integration.

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Management's Discussion and Analysis
For the period ended September 30, 2019 and 2018

OVERALL PERFORMANCE (CONTINUED)

Supply Agreement with Distributor to Loblaws and Metro Supermarkets

The Company has entered into a preferred supply agreement (the "Supply Agreement") with Canadian consumer packaged goods ("CPGs") broker and wholesaler, Red Phoenix International Trading Ltd. ("RPI"). Under the terms of the Supply Agreement, RPI will distribute the Company's portfolio of organic cannabis sativa seed oil infused CPGs, including its Whole Hemp Health ("WHH") organic lip balm, as well as its Edibles & Infusions hemp-derived gummy stock-keeping units ("SKUs") to domestic big box food retailers. RPI boasts wholesale distribution agreements with the following Tier 1 Canadian food retailers:

- Loblaws Inc.;
- Metro Inc.;
- Sobeys Inc.;
- The North West Company; and,
- Giant Tiger Stores Ltd.

The Company forecasts its Supply Agreement with RPI will accelerate its stock turn and sell-through metrics of associated organic cannabis sativa seed oil infused CPGs by a factor of three. Additionally, the Supply Agreement will augment the Company's pursuit to secure a critical mass of high visibility shelf space, whilst familiarizing consumers with its premium suite of cannabis 2.0 SKUs.

EuroLife Brands Inc.

Subsequent to period end, the Company has entered into a Letter of Intent (the "LOI"), with EuroLife Brands Inc. ("EuroLife"). Under the terms of the LOI, the Companies will collaborate to curate custom evidence-based cannabis content and associated learning modules to be deployed across EuroLife's physician-sanctioned German cannabis education platform, Cannabis.de.

The integration of Cannabis.de into the Company's German vertically integrated medical/pharmaceutical ecosystem will afford the Company's existing German patients and pharmaceutical partners unbridled access to independent, physician-backed and educator-approved cannabis literature and learning modules. Cannabis.de leverages machine learning algorithms and artificial intelligence ("AI"), coupled with a suite of automation tools to contextualize and adapt to its users and deliver timely and relevant information, based on identified behaviors and interests.

The Company's exposure to a mounting patient population represents the critical mass required for the Companies to achieve defensible first-mover advantages within the German cannabis education marketplace, while initiating high visibility growth of its EU-GDP distribution channels. Additionally, the Company and EuroLife will deploy Cannabis.de's diverse analytical tool suite to assist with managing and measuring a host of key consumer data analytics, thus aggregating lucrative patient preference datasets to assist with further tailoring its product offering

Management Changes

During the nine months ended September 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

Substantiated by ongoing discourse with industry experts and relevant policy makers, the Company remain optimistic that Health Canada's anticipated cannabidiol regulations will classify CBD as a natural health product, enabling widespread proliferation across Canada and unlocking hidden value within the Company's cannabis value chain. Upon enactment of these anticipated CBD regulations, the Company will look to introduce CBD-infused varieties of existing SKUs into already mature distribution channels.

OVERALL PERFORMANCE (CONTINUED)

Outlook (continued)

The Company's product strategy is centered on the delivery of CBD-based solutions to already primed targeted audiences, which are both known and trusted across our entire distribution footprint. As CBD continues its ubiquitous permeation of CPGs, the Company remains well equipped to capitalize on a shifting regulatory environment, while capturing material market share of Canada's adult-use arena.

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.
- expand its platforms, with Germany being the first of many European market; with a population of over 80 million, European market is a key catalyst for the Company's strategic revenue growth in 2020.
- secure national listings of its Cannessence product portfolio through prominent, high-traffic distribution channels including: c-store, pharmacies, naturopathic clinics, salons/spas, as well as health and wellness retailers; integrate Cannessence in its 17,500 North American points of distribution.
- retrofit to seven of the non-core operating buildings at its Cannabis Campus.

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 license holders under the Cannabis Act and accompanying Cannabis Regulations. The Company's objective is to produce 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.

The Company will supply the Edibles and Infusions Corp. with inputs for the edibles manufacturing process such as artisanal, ultra-premium dried cannabis flower, as well as premium cannabis trim from its Delta Complex and ACMPR licensed AAA Heidelberg facility.

The Company is also contemplating establishing an on-site dispensary at the AAA Heidelberg facility, per pending Alcohol and Gaming Commission of Ontario ("AGCO") regulations, capitalizing on a potential 1.5 million consumer catchment area within a 90- minute radius. London, Ontario, is Canada's 11th largest metropolitan area and is tactically 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.

In addition, the Company is in the process of finalizing product formulation, contract manufacturing and R&D agreements with various Canadian Licensed Producers ("LPs"). The Company forecasts that its R&D Laboratory will emerge as a hub for innovation, as well as set the industry's benchmark standard for the industrial-scale production of value-added cannabis products. The Company's R&D Laboratory will be fully operational upon receipt of Health Canada issued research and development license.

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Management's Discussion and Analysis
For the period ended September 30, 2019 and 2018

OVERALL PERFORMANCE (CONTINUED)

Outlook (continued)

Overall, the Company's vertically integrated cannabis ecosystem will afford the Company the ability to capture material revenues from upstream cultivation, to downstream product formulation/manufacturing/extraction and end retail distribution.

EQUITY TRANSACTIONS

Subsequent to period end, the Company issued 1,250,000 common shares as the third allotment to a consultant with fair value of \$318,750 pursuant to a letter of intent (the "LOI").

Subsequent to period end, the Company closed a non-brokered private placement offering of 28,750 unsecured convertible debentures for gross proceeds of \$28,750,000. The debentures bear interest at a rate of 10% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing December 31, 2019. The debentures mature on December 31, 2021.

The debentures will be convertible at the holder's option into: (i) that number of common shares of the Company calculated on the basis of the aggregate principal amount of the debentures being converted divided by the conversion price of \$0.30 per share (the "Conversion Price"); and (ii) a cash payment equal to the additional interest amount that such holder would have received if it had held the Debenture from the date of conversion to the maturity date. Holders converting their debentures will receive accrued and unpaid interest thereon for the period from and including the date of the latest interest payment date to, but excluding, the date of conversion.

During the period ended September 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 DOCC and issued 44,582,040 common shares of the Company at a price of \$0.45 per share.

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.

On July 11, 2019, the Company issued 348,109,251 common shares with a fair value of \$71,863,907 and 13,054,097 common shares with a fair value of \$4,503,663 for the acquisition certain assets from OFIG.

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Management's Discussion and Analysis
For the period ended September 30, 2019 and 2018

EQUITY TRANSACTIONS (CONTINUED)

On August 12, 2019, the Company issued 319,551 common shares with a fair value of \$94,267 to settle \$111,805 of debt for past consulting and other services provided, resulting in a gain on settlement of \$17,537.

On August 21, 2019, the Company issued 15,000,000 common shares with a fair value of \$4,050,000 and 1,500,000 common shares with a fair value of \$405,000 for the acquisition of Eurasia.

During the period ended September 30, 2019, the Company issued 23,125,000 common shares on the exercise of options for proceeds of \$2,931,750. An amount of \$1,994,930 was transferred from option reserve to share capital on exercise.

During the period ended September 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 DOCC. 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 September 30, 2019, the Company had \$Nil in subscription receivable, compare to \$61,000 subscription received in December 31, 2018.

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Management's Discussion and Analysis
For the period ended September 30, 2019 and 2018

RESULTS OF OPERATIONS

	Three month period ended September 30,		Nine month period ended September 30,	
	2019	2018	2019	2018
EXPENSES				
Professional fees	\$ 284,658	\$ 73,476	\$ 486,223	\$ 136,201
Consulting and management	1,375,595	1,282,013	9,782,490	2,444,412
Development and compliance	44,351	70,984	86,882	84,558
Corporate development	435,665	163,599	2,943,505	492,542
Amortization	380,499	-	393,763	-
Office	241,999	(690)	278,806	72,241
Regulatory and transfer agent fees	148,717	31,513	417,771	140,801
Share-based compensation	31,015,915	-	37,641,587	2,054,508
Transaction costs	3,545,179	-	4,325,179	-
Loss on foreign exchange	7,000	-	59,365	-
Distribution expenses	3,458,678	-	3,458,678	-
Finance and other costs	52,826	-	52,826	-
Production costs	4,841,323	-	4,841,323	-
Research and development	11,824,399	-	11,824,399	-
	(57,656,804)	(1,620,895)	(76,592,797)	(5,425,263)
Other Items				
Unrealized gain (loss) on marketable securities	(608,886)	(9,375)	(494,703)	(246,875)
Gain on revaluation of PSC	19,919,518	-	19,919,518	310,435
Gain on loss of control of Natures Hemp	-	310,435	-	-
Share of loss on equity accounted investments	(46,324)	-	(529,592)	-
Gain on settlement of debt	17,537	-	17,537	-
Interest income	19,638	-	19,638	-
Gain on sale of assets	352,560	-	678,097	-
Net and comprehensive loss for the period	\$ (38,002,761)	\$ (1,319,835)	\$ (56,982,302)	\$ (5,361,703)

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

During the nine and three-month period ended September 30, 2019 the Company completed a number of strategic cannabis acquisitions to grow its international operations. During the period ended September 30, 2019, the Company made several strategic acquisitions from Organic Flower that has strengthened the Company's position as a vertically integrated Company and will allow the Company to achieve high margins on the sales of cannabis and a controlling interest PSC, as well as expand the company's distribution capabilities. In general, for the comparative period, the Company had less activity than the current period. 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 September 30, 2019, the Company incurred loss and comprehensive loss of \$56,982,302 compared to \$5,361,703 in the comparative period. Explanations of the nature of costs incurred, along with explanations for those changes in costs are discussed below for the nine months ended September 30, 2019. The analysis and the discussions for the nine and three months ended are similar:

- Professional fees increased to \$486,223 from \$136,201. During the nine month period ended, the Company has made a number of significant acquisitions during the year. More than half of these fees were incurred during the three-month period ended September 30, 2019 and correspond with the acquisition of assets from Organic Flower. During the due diligence phase with Organic Flower, the Company incurred legal, accounting, and other professional fees associated with these material acquisitions. As well, the Company incurred other unrelated professional fees related to the ongoing and general operations.

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Management's Discussion and Analysis
For the period ended September 30, 2019 and 2018

RESULTS OF OPERATIONS (CONTINUED)

- Consulting fees increased to \$9,782,490 from \$2,444,412 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.

Below is a break-down of the various consulting fees incurred by the Company:

	Period ended September 30, 2019		
	3 months	6 months	9 months
	\$	\$	\$
Management fees	140,000	4,165,438	4,305,438
Research and development consulting fees	92,890	149,198	242,088
Advisory and business development consulting fees	549,169	4,073,297	4,622,460
Marketing consulting fees	268,296	16,950	285,246
PSC consulting fees	320,420	-	320,240
Legal and advisory consulting fees	4,100	2,018	6,118
Total	1,374,695	8,406,895	9,781,590

- Corporate development fees increased to \$2,943,505 from \$492,542. Corporate development consists of expenses incurred to increase the Company's global brand awareness and presence in the Cannabis industry. Q2 and Q3 2019 was a crucial quarter for the Company, with the Company completing numerous acquisition's during and subsequent to the period.
- Amortization increased to \$393,763 from \$Nil. Due to consolidation with Propagation Services Canada's, the Company incurred the vast majority of amortization due to accounting treatment under IFRS 16 – leases, and the Company amortized its right-of-use lease asset by \$333,333. The remainder of amortization expense is from amortization of property plant and equipment.
- Share based compensation increased to \$37,641,587 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.
- Transaction costs increased to \$4,325,179 from \$Nil, and consists primarily of non cash transactions, and solely relate to finders common shares issued pursuant to the acquisition of certain Organic Flower assets.
- Distribution expense of \$3,458,678 consist of certain assets acquired that do not meet the definition of an asset under IFRS standards. However, the Company does note that distribution is an essential and vital part to the Company's success.
- 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. In addition, the Company incurred research and development costs of \$11,824,399 and consist of research and development fees incurred via the acquisition of certain Organic Flower assets.
- The Company incurred production cost of \$4,841,323 and arises from the acquisition of 11353675 Canada Corp ("11353675"). 11353675 is partied to an exclusive partnership agreement with a Toronto-based brewerh to formulate, manufacture and istribute all cannabinoid infused beverages developed by the brewery.
- The Company recognized an unrealized loss on marketable securities of \$494,703 (2018 - \$246,875) and is primarily attributed to a significant downtown in the cannabis market for the period ended September 30, 2019.
- Previous to obtaining a 70 % interest in Propagation Services Canada, the Company accounted for PSC using the equity method, and recognized a loss of \$529,592. The Company also revalued investment in PSC prior to consolidation and recognized a gain on revaluation of 19,919,518.
- During the period ended September 30, 2019, the Company sold certain investments and recognized a gain on sale of investment of \$678,097.

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Management's Discussion and Analysis
For the period ended September 30, 2019 and 2018

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.

	Qtr 3	2019		2018
	\$	Qtr 2	Qtr 1	Qtr 4
	\$	\$	\$	\$
Revenue	-	-	-	-
Total assets	162,666,863	60,277,480	51,015,985	29,994,593
Long term liabilities	1,555,098	-	-	-
Net Loss	(38,002,761)	(12,323,239)	(6,656,302)	(458,515)
Basic and diluted loss per share	(0.05)	(0.03)	(0.02)	(0.00)

	Qtr 3	2018		2017
	\$	Qtr 2	Qtr 1	Qtr 4
	\$	\$	\$	\$
Revenue	-	-	-	-
Total assets	8,242,349	9,162,464	8,599,768	9,076,997
Long term liabilities	-	-	-	-
Net Loss	(1,319,835)	(1,144,329)	(2,897,539)	(1,021,133)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.04)

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 Organic Flower during the nine-month period ended. 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. Net loss in Q3 2019 increased significantly from Q2 2019 due to primarily non cash transactions, such research and development of \$11,824,399, production cost of \$4,841,323, distribution expense of \$3,458,678 and share based compensation of \$31,015,915. These expenses were offset upon recognition of an unrealized gain on marketable securities of \$19,310,632.

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.

	September 30, 2019	December 31, 2018
	\$	\$
Working capital	12,638,526	11,071,721
Liabilities	3,773,186	324,632
Deficit	(78,914,125)	(22,279,489)

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Management's Discussion and Analysis
For the period ended September 30, 2019 and 2018

LIQUIDITY (continued)

Liquidity and Capital Resources (continued)

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 September 30, 2019, \$8,803,754 (2018 - \$3,042,479) 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. Extensive due diligence was performed over the course of the nine month period for the acquisitions completed and the Company notes the overall change in the market place.

Financing Activities:

During the period ended September 30, 2019, \$23,983,566 (2018 - \$1,382,611) 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 \$2,931,750 (2018 - \$300,700). Subsequent to period end, the Company completed a private placement offering consisting of 28,750 unsecured convertible debentures with an aggregate face value of \$1,000 per debenture for gross proceeds of \$28,750,000.

Investing Activities:

During the period ended September 30, 2019, \$24,706,217 (2018 - \$835,938) 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 and Q3 2019 has made the company truly 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. 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 the Company 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.

**AGRAFLOA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Management's Discussion and Analysis
For the period ended September 30, 2019 and 2018**

LIQUIDITY (CONTINUED)

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.

PROPOSED 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 September 30, 2019.

**AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Management's Discussion and Analysis
For the period ended September 30, 2019 and 2018**

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 September 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.

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.

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Management's Discussion and Analysis
For the period ended September 30, 2019 and 2018

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 nine months ended September 30, 2019 and 2018:

Nine months ended September 30, 2019		
	Consulting and Management Fees	Share-based Compensation
Cherry Consulting Ltd	\$ 59,955	\$ 70,355
Elben Capital Inc./ Derek Ivany/Equity Analytics Inc.	3,775,483	89,128
Clairewood Partners / David Parry	230,000	678,127
Christopher Hornung	90,000	161,956
Jerry Habuda	-	98,293
Brian O'Neill / O'Neill Law LLP	19,340	158,385
Joseph Perino	-	98,293
Jan Urata / Take It Public Services Inc.	85,200	18,449
Peter Nguyen / 1183877 BC Ltd	15,000	-
Brandon Boddy/ 1061437 BC Ltd	150,000	1,005,385
	\$ 4,424,978	\$2,378,371

Nine months ended September 30, 2018		
	Consulting and Management Fees	Share-based compensation
Christopher Hornung	\$ -	\$ -
Cherry Consulting Ltd	18,600	-
Elben Capital Inc./ Derek Ivany/Equity Analytics Inc.	98,000	617,898
FourOneSix Inc.	125,000	308,949
Clairewood Partners / David Parry	30,250	617,898
	\$ 271,850	\$ 1,544,745

Amounts due to and due from former related parties are unsecured, non-interest bearing and due on demand. At September 30, 2019, \$275,799 (December 31, 2018 - \$69,275) is owing to current and 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 encounter difficulty in raising funds to meet commitments associated with financial instruments and with the construction of its cannabis facilities in Ontario and British Columbia. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at September 30, 2019 and expected cash flows for the next 12 months are sufficient to fund the Company's ongoing operational needs. The Company will need additional funding through equity or debt financing, or a combination thereof, to complete its facilities. Subsequent to period, the Company completed a private placement offering consisting of 28,750 unsecured convertible debentures with an aggregate face value of \$1,000 per debenture for gross proceeds of \$28,750,000. The convertible debenture private placement will alleviate strain on any potential liquidity strain moving forward.

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

As at the date of this MD&A, the Company had 930,072,547 common shares outstanding, 130,654,776 warrants outstanding with exercise prices ranging from \$0.05 to \$0.65 and expiring at various dates to August 21, 2023 and 71,940,000 stock options outstanding with exercise prices ranging from \$0.128 to \$0.55 and expiring at various dates to August 1, 2024.

NEW SIGNIFICANT ACCOUNTING POLICIES

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), which replaces IAS 17, Leases ("IAS 17") and related interpretations. The standard introduces a single lessee accounting model and requires lessees to recognize assets and liabilities for all leases with a term exceeding 12 months, unless the underlying asset is insignificant. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as operating or finance, with lessor accounting remaining substantially unchanged from the preceding guidance under IAS 17. The Company adopted the standard on January 1, 2019. The Company did not have any leased properties in previous years, so the adoption of IFRS 16 has no impact on the beginning balances. The adoption of IFRS 16 has resulted in:

As a result of adopting IFRS 16, the Company updated its lease accounting policies as follows:

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in "finance and other costs" in the condensed consolidated interim statement of comprehensive (loss) income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The Company's lease liability is recognized net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

NEW SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 – Leases (continued)

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration and sales and marketing expense in the condensed consolidated interim statement of comprehensive (loss) income. Short term leases are defined as leases with a lease term of 12 months or less.

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.

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.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

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, in 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.

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.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

Limited Operating History and No Assurance of Profitability (continued)

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.

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.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

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.

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.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

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.

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

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

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 from 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.

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.