FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: **AgraFlora Organics International Inc.** (formerly PUF Ventures Inc.) (the "Issuer").

Trading Symbol: **AGRA**

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

See Note 15 to interim financial statements for nine months ended September 30, 2018.

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.

(b) A description of the transaction(s), including those for which no amount has been recorded.

(c) The recorded amount of the transactions classified by financial statement category.

(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.

(e) Contractual obligations with Related Persons, separate from other contractual obligations.

(f) Contingencies involving Related Persons, separate from other contingencies.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
Sept. 11/18	Common shares	Option exercise	100,000	$0.235	$23,500	Cash	arm's length	N/A
Sept. 17/18	Common shares	Option exercise	100,000	$0.235	$23,500	Cash	non-arm's length(1)	N/A
Sept. 26/18	Common shares	Option exercise	100,000	$0.235	$23,500	Cash	non-arm's length(2)	N/A
Sept. 18/18	Common shares	Shares for Services	2,000,000	$0.73	N/A	N/A	arm's length & non-arm's length(3)	N/A
Aug. 14/18	Common shares	Warrant exercise	100,000	$0.075	$7,500	Cash	arm's length	N/A
Sept. 17/18	Common shares	Warrant exercise	60,000	$0.25	$15,000	Cash	non-arm's length(4)	N/A
Sept. 27/18	Common shares	Warrant exercise	280,000	$0.40	$112,000	Cash	arm's length	N/A
Total:			**2,740,000**		**$205,000**			

(1) Jerry Habuda is a director of the Issuer.
(2) Chris Hornung is a director of the Issuer.
(3) Derek Ivany, CEO, President and a director of the Issuer received 250,000 shares held directly and 750,000 shares held indirectly through Elben Capital Corp. a company owned and operated by Derek Ivany.
(4) Joseph Perino is a director of the Issuer.

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
Sept. 10/18	200,000	N/A	N/A	$0.64	Sept. 10/20	$0.64
Total:	**200,000**					

3. Summary of securities as at the end of the reporting period. <u>See Schedule A</u>

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

Description	Number Authorized	Par Value
Common shares	Unlimited	NPV

(b) number and recorded value for shares issued and outstanding,

Description	Number Issued & Outstanding	Amount
Common shares	308,307,540	$25,188,534

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Description	Number Outstanding	Exercise Price	Expiry Date
Stock options	437,500	$0.128	Mar. 11/19
Stock options	2,250,000	$0.053	Jan. 24/19
Stock options	7,000,000	$0.093	Sept. 6/19
Stock options	16,125,000	$0.168	Mar. 29/20
Stock options	1,000,000	$0.128	Sept. 10/20
Total Options:	**26,812,500**		
Warrants	1,750,000	$0.06	Oct. 30/18
Warrants	2,775,800	$0.05	Nov. 4/18
Warrants	18,658,200	$0.08	Mar. 10/19
Total Warrants:	**23,184,000**		
Total Options and Warrants:	**49,996,500**		

(a) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

Description	Number Held in Escrow	Number Released During the Period
Common shares	Nil	Nil

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name	Positions Held	Since
Derek Ivany	President, CEO and Director	April 19, 2016
Christopher P. Cherry	CFO	January 19, 2016
Christopher Hornung	Director	February 6, 2014
Jerry Habuda	Director	May 6, 2016
Joseph Perino	Director	September 23, 2016
Peter Karroll	Director of Branding and Marketing	Jan 30, 2017
Timothy McNulty	Investor Relations	March 10, 2017

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated December 6, 2018.

Derek Ivany
Name of Director or Senior Officer

"Derek Ivany"
Signature

President and CEO
Official Capacity

Issuer Details Name of Issuer AgraFlora Organics International Inc. (formerly PUF Ventures Inc.)	For Quarter Ended September 30, 2018	Date of Report YY/MM/D 2018/12/06
Issuer Address 804-750 West Pender Street		
City/Province/Postal Code Vancouver, BC V6C 2T7	Issuer Fax No. 604.685.6905	Issuer Telephone No. 800.783.6056
Contact Name Derek Ivany	Contact Position President and CEO	Contact Telephone No. As above
Contact Email Address ir@agraflora.com	Web Site Address www.agraflora.com	

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

Condensed Interim Consolidated Financial Statements
Nine Months Ended September 30, 2018

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

Notice to Readers

Under National Instrument 51-102, Part 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of AGRAFLORA Organics International Inc. (formerly PUF Ventures Inc.) for the nine months ended September 30, 2018 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed interim consolidated financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Notes	September 30, 2018	December 31, 2017
ASSETS			
Current assets			
Cash		$ 1,295,443	$ 3,791,249
Receivables		611,974	342,054
Marketable securities	4	65,625	312,500
Prepaids		78,301	109,162
		2,051,343	4,554,965
Investments	8,9,10,11	2,089,404	181,367
Property and equipment	7	861,186	1,100,249
Intangible asset	8	3,240,416	3,240,416
TOTAL ASSETS		**$ 8,242,349**	**$ 9,076,997**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,215,439	$ 871,757
Loans payable	13	397,246	639,571
TOTAL CURRENT LIABILITIES		**1,612,685**	**1,511,328**
SHAREHOLDERS' EQUITY			
Share capital	14	25,188,534	22,252,798
Subscriptions received		-	149,200
Reserves	14	3,720,127	1,665,620
Accumulated other comprehensive loss		(246,875)	(37,500)
Deficit		(22,952,427)	(17,384,754)
Attributable to shareholders		5,709,359	6,645,364
Non-controlling interest	8	920,305	920,305
TOTAL SHAREHOLDERS' EQUITY		**6,629,664**	**7,565,669**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 8,242,349**	**$ 9,076,997**

Nature and continuance of operations (Note 1)
Subsequent events (Note 19)

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
EXPENSES				
Accounting and auditing	$ 38,700	$ 350	$ 66,200	$ 15,350
Consulting and management	1,282,013	240,860	2,444,412	531,423
Development and Compliance	40,166	15,000	84,558	50,000
Investor communications	163,599	11,177	380,883	41,386
Legal	34,776	4,002	70,001	10,609
Office and sundry	(690)	81,424	72,241	120,867
Regulatory and transfer agent fees	31,513	31,143	140,801	62,316
Share-based compensation	-	-	2,054,508	215,332
Travel and business development	30,818	21,075	111,659	51,185
Net loss for the period	(1,620,895)	(387,191)	(5,425,263)	(1,098,468)
Unrealized (loss) on marketable securities	(9,375)	-	(246,875)	-
Gain on loss of control of Natures Hemp	310,435	-	310,435	-
Comprehensive loss for the period	**$ (1,319,835)**	**$ (387,191)**	**$ (5,361,703)**	**$ (1,098,468)**
Net loss attributable to:				
Shareholders of AGRAFLORA Organics Int'l Inc.	$ (1,758,683)	$ (387,191)	$ (5,430,122)	$ (1,098,468)
Non-controlling interests	137,788	-	4,859	-
	$ (1,620,895)	**$ (387,191)**	**$ (5,425,263)**	**$ (1,098,468)**
Comprehensive loss attributable to:				
Shareholders of AGRAFLORA Organics Int'l Inc	$ (1,457,623)	$ (387,191)	$ (5,366,562)	$ (1,098,468)
Non-controlling interests	137,788	-	4,859	-
	$ (1,319,835)	**$ (387,191)**	**$ (5,361,703)**	**$ (1,098,468)**
Net loss per share – basic and diluted	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**	**$ (0.00)**
Weighted average number of common shares outstanding [(1)]	**296,405,365**	**212,418,950**	**292,291,405**	**191,536,215**

(1) Reflect 5 to 1 stock split on November 19, 2018

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Condensed Interim Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Share capital								
	Number of shares	Amount	Subscriptions received	Share-based payment reserves	Warrant reserve	Non-controlling interest	Deficit	AOCI	Total
Balance at December 31, 2016	**160,522,775**	**15,551,901**	**-**	**522,370**	**883,586**	**-**	**(15,517,684)**	**-**	**1,440,173**
Comprehensive loss:									
Net and comprehensive loss for the period	-	-	-	-	-	-	(1,098,468)	-	(1,098,468)
Shares issued for cash (Note 14)	38,282,500	1,914,125	-	-	-	-	-	-	1,914,125
Share issuance costs - cash (Note 14)	-	(79,642)	-	-	-	-	-	-	(79,642)
Share issuance costs - agent warrants (Note 14)	-	(85,780)	-	-	85,780	-	-	-	-
Shares issued for AAA-H	2,500,015	200,000	-	-	-	-	-	-	200,000
Warrants exercised (Note 14)	20,867,000	826,805	-	-	-	-	-	-	826,805
Options exercised (Note 14)	5,437,500	291,500	-	-	-	-	-	-	291,500
Fair value of stock options exercised/cancelled/expired (Note 14)	-	-	-	-	-	-	-	-	-
Share-based compensation (Note 14)	-	-	-	215,332	-	-	-	-	215,332
Balance at September 30, 2017	**227,609,790**	**18,618,908**	**-**	**737,702**	**969,366**	**-**	**(16,616,152)**	**-**	**3,709,825**
Balance at December 31, 2017	**276,052,890**	**$22,252,798**	**$ 149,200**	**$ 809,657**	**$ 855,963**	**$ 920,305**	**$ (17,384,754)**	**$(37,500)**	**$ 7,565,669**
Comprehensive loss:									
Net and comprehensive loss for the period	-	-	-	-	-	-	(5,430,122)	(209,375)	(5,639,497)
Subscriptions received (Note 14)	-	-	(149,200)	-	-	-	-	-	(149,200)
Non-controlling interest on consolidation of AAA-H (Note 14)	-	-	-	-	-	-	(137,551)	-	(137,551)
Shares issued for service	10,000,000	1,460,000	-	-	-	-	-	-	1,460,000
Options exercised (Note 14)	5,400,000	371,200	-	-	-	-	-	-	371,200
Warrants exercised (Note 14)	16,854,650	1,104,536	-	-	-	-	-	-	1,104,536
Share-based compensation (Note 14)	-	-	-	2,054,508	-	-	-	-	2,054,508
Balance at September 30, 2018	**308,307,540**	**$25,188,534**	**$ -**	**$ 2,864,165**	**$ 855,963**	**$ 920,305**	**$ (22,952,427)**	**$(246,875)**	**$ 6,629,665**

Reflect 5 to 1 stock split on November 19, 2018

See accompanying notes to the condensed interim consolidated financial statements

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Nine months ended	
	September 30, 2018	**September 30, 2017**
Operating activities		
Net loss for the period	$ (5,425,263)	$ (1,098,468)
Adjustments for:		
Amortization	159,377	-
Share-based compensation	2,054,508	215,332
Changes in non-cash working capital items:		
Receivables	(269,920)	(478,134)
Prepaids	30,861	(45,875)
Accounts payable and accruals	407,958	45,684
Net cash flows used in operating activities	(3,042,479)	(1,361,461)
Financing activities		
Loans payable	(242,325)	-
Subscriptions received	149,200	-
Proceeds on issuance of common shares, net	1,475,736	2,952,787
Net cash flows provided by financing activities	1,382,611	2,952,787
Investing activities		
Expenditures on equipment	(27,900)	-
Expenditures on mineral properties	-	(54,543)
Investment in Natures Hemp	600,000	
Investment in Houweling Nurseries	(1,500,000)	-
Investment in Solaris	(158,038)	-
Investment in BCP Holding	(250,000)	
Net cash flows used in investing activities	(835,938)	(54,543)
Change in cash	(2,495,806)	1,536,783
Cash, beginning	3,791,249	496,746
Cash, ending	**$ 1,295,443**	**$ 2,033,529**

Non-cash transactions (Note 16)

1. NATURE AND CONTINUANCE OF OPERATIONS

AgraFlora Organics International Inc. (formerly PUF Ventures Inc.) (the "Company") was incorporated on June 24, 2004 pursuant to the Business Corporations Act (British Columbia). On February 9, 2011, the name of the Company was changed from New High Ridge Resources Inc. to Newton Gold Corp., on November 7, 2013 to Chlormet Technologies, Inc., and on November 13, 2015 to PUF Ventures Inc. Until June 18, 2014, the Company was listed on the TSX Venture Exchange under the symbol "CMT". Effective June 19, 2014 the Company is listed on the Canadian Securities Exchange ("CSE" or the "Exchange") under the symbol "PUF". During the year ended December 31, 2016, the Company completed a share consolidation on a 4 for 1 basis. All share capital numbers have been restated to reflect the share consolidation. The Company's corporate office is located at Suite 804, 750 Pender Street, Vancouver, British Columbia V6C 2T7.

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

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Further discussion of liquidity risk has been disclosed in Note 18. At September 30, 2018, the Company had a working capital of $438,658 (December 31, 2017 –$3,043,637), and an accumulated deficit of $22,952,427 (December 31, 2017 - $17,384,754).

The Company generates minimal cash flow from operations and therefore relies upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the statement of financial position classifications used. These consolidated financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

a) Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS34") using accounting policies consistent with International Financial Reporting Standards ("IFRS").

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. BASIS OF PREPARATION (continued)

b) Basis of consolidation

A subsidiary is an entity the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. These consolidated financial statements include the accounts of the Company and its subsidiaries:

2017/2018	Ownership Interest	Jurisdiction
AAA Heidelberg Inc.	45% – 54%	Canada
Natures Hemp Corp.	Nil – Spun out in period	Canada
Pure Grow Medicinals S.A.S	100%	Columbia
Propagation Services Canada Inc.	●%	Canada

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed Interim consolidated financial statements.

c) Presentation and functional currency

The functional currency of the parent company, is the Canadian dollar, which is also the presentation currency of the consolidated financial statements. The functional currency of the Company's Canadian and US subsidiaries is also the Canadian dollar.

Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the closing rate (the exchange rate at the reporting date).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in the profit or loss.

d) Significant accounting judgments and estimates

The preparation of these financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of these financial statements also requires management to exercise judgment in the process of applying the accounting policies.

2. BASIS OF PREPARATION (continued)

d) Significant accounting judgments and estimates (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year: value of assets available for sale; impairment of non-financial assets; and share-based compensation.

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its cannabis assets and its exploration and evaluation assets. This includes estimating the fair value of intangible assets held relating to the cannabis venture. For exploration and evaluation assets, once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from exploration and evaluation assets and subject to different accounting treatment.

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the annual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any derivative financial instruments.

Financial assets

The Company classifies its financial assets into categories at initial recognition, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss:
This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value, with changes in fair value recognized in profit or loss.

Loans and receivables:
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company has classified cash, and loans receivable as loans and receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

Held-to-maturity investments:
These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. The Company has not classified any financial assets as held-to-maturity investments.

Available-for-sale:
Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income or loss ("OCI"). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from OCI and recognized in profit or loss.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss:
This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value, with changes in fair value recognized in the statement of comprehensive loss. The Company has not classified any financial liabilities as fair value through profit and loss.

Other financial liabilities:
This category includes all other financial liabilities which are recognized at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial instrument, or, where appropriate, a shorter period. The Company has classified accounts payable, and loans payable as other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

b) Equity accounted investments

Equity accounted investments are those entities in which the Company has significant influence, but does not have control over the financial and operating policies of the investees. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity. Joint arrangement entities are those over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Joint ventures are joint arrangements, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's share of earnings or losses less dividends since significant influence was acquired. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to $nil and additional losses are not provided for unless the Company is committed to provide other financial support to the investee. The Company resumes accounting for its portion of income (loss) of the investment when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended.

Profits or losses resulting from transactions between the Company and its associates are eliminated to the extent of the interest in the associate. The Company determines at each reporting date whether there is objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary adjustments are made to bring the accounting policies of associates in line with those of the Company.

c) Cash

Cash in the statement of financial position are comprised of cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

d) Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral properties; accordingly, it follows the practice of capitalizing all costs, once it has the legal right to explore, relating to the acquisition of, exploration for, and development of mineral properties, and crediting all proceeds received against the cost of the related properties. Such costs include, but are not limited to geological, geophysical studies, exploratory drilling, and sampling.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The aggregate costs related to abandoned mineral properties are charged to net income (loss) at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to an exploration and evaluation asset is subsequently reversed if new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes a gain on sale of exploration and evaluation assets when the proceeds received or receivable are in excess of the carrying amount. This gain is recognized in profit or loss for the period.

e) Property and equipment

Property and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive loss.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Equipment is depreciated annually at the following rates using the declining-balance method when the asset becomes available for use, and in the year of acquisition, only one-half of normal rates are used.

Furniture and equipment - 20% declining balance
Computer equipment - 30% declining balance
Building - 6% declining balance

f) Intellectual Property and intangibles

Intellectual property and intangibles are measured at cost less accumulated amortization and accumulated impairment losses. The cost of intellectual property consists of the purchase price, and any costs directly attributable to bringing the asset into use. Subsequent expenditures on intellectual property are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit and loss as incurred.

Intellectual property is amortized over 4 years, on the straight-line method. Intangibles are reviewed for impairment at each financial position reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Impairment

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss for the period.

h) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the closing rate (the exchange rate at the reporting date).
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in the profit or loss.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency gains and losses are reported on a net basis and included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Share capital

Common shares:
Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Non-monetary consideration:
Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

j) Sales revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Sales revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involved with the goods, and the amount of revenue can be measured reliably. The transfer of risks and rewards occurs when the product is received by the customer.

k) Share-based payment transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where share options are granted to non-employees, fair value is measured at grant date at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

All share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for unused tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

m) Rehabilitation provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises and the amount can be reliably estimated. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Loss per share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

o) Segment reporting

The Company operates in three reportable segments: (i) the acquisition, exploration, and development of exploration and evaluation assets; (ii) the medical marijuana industry through the purchase of an interest in a private Ontario company that is in the process of applying for a MMPR license; and (iii) the sale of e-cigarettes.

p) New accounting standards and interpretations not yet adopted

The following accounting pronouncement has been released but has not yet been adopted by the Company:

IFRS 9 Financial Instruments

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 *Financial Instruments* (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is tentatively effective for annual periods beginning on or after January 1, 2018.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which covers principles for reporting on the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that when an entity transfers goods or services to customers, it should recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses from the sale of non-financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) New accounting standards and interpretations not yet adopted

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Company has determined that the adoption of this new standard will have no impact on its consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. AVAILABLE FOR SALE INVESTMENT

During the year ended December 31, 2017, the Company received 625,000 common shares of Volt Energy Inc on the sale of the Company's Lac Saint Simon Lithium project. The shares were initially valued at $350,000. As at December 31, 2017, the shares had a fair value of $312,500 and the Company recognized an unrealized loss of $37,500, and as at September 30, 2018, the shares had a fair value of $65,625 and the Company recognized an unrealized loss of $246,875 (Note 6).

5. LOANS RECEIVABLE

On November 3, 2014, the Company provided AAA Heidelberg Inc. ("AAA-H") with a $160,000 loan. On February 20, 2015, the Company guaranteed a first mortgage to a third party in the amount of $400,000 on behalf of AAA-H that was due on July 7, 2015. Throughout 2015 the Company made payments towards principal and interest on this mortgage. This loan is secured by all the assets of AAA-H and subordinate only to a first mortgage to the third party in the amount of $400,000. During the year ended December 31, 2016, the Company issued a total of 1,890,880 units of the Company with a fair value of $0.05 per unit representing a full year of interest totaling $94,544 as well as 405,180 units with a fair value of $20,259 as a finder's fee for securing another mortgagor. In addition, during the year ended December 31, 2016, the Company also advanced $30,000 in cash to cover certain expenditures of AAA-H. During the year ended December 31, 2017 the Company advanced a further $693,961 towards expenses of AAA-H. At December 31, 2017, the total amount of the loan receivable from AAA-H is $1,115,475 (2016: $477,514). The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement dated January 26, 2015 by a cancellation of shares of the Company with a fair value of $1,115,475 (Note 8).

6. EXPLORATION AND EVALUATION ASSETS

Lac Saint Simon, Quebec

During the year ended December 31, 2016, the Company acquired a 100% interest in certain mineral claims located in Quebec, Canada, known as the Lac Saint Simon Lithium through the issuance of 10,000,000 common shares of the Company valued at $0.013 per share for total value of $130,000. During the year ended December 31, 2016, the Company incurred expenditures of $24,300 on the property consisting of $15,000 of camp costs and $9,300 of geological consulting.

During the year ended December 31, 2017, the Company incurred additional field costs of $54,543 on the property. The Company sold its interest in the property to Volt Energy Inc. for 625,000 common shares of Volt Energy Inc. valued at $350,000 and recognized a gain on disposition of $141,158. (Note 4).

7. PROPERTY AND EQUIPMENT

Property and equipment is held by AAA-H. The building is currently not available for use and has therefore not been amortized. The opening balances have been shown as of the date of transition to the consolidation method of accounting.

	Furniture & Equipment	Building	Computers	Total
Cost:				
At May 7, 2017	$ 28,055	$ 952,988	$ 8,423	$ 989,466
Additions	-	131,530	-	131,530
December 31, 2017	28,055	1,084,518	8,423	1,120,996
Additions (Disposal)	27,900	(107,585)	-	(80,585)
June 30, 2018	55,955	976,933	8,423	1,041,311
Amortization:				
At May 7, 2017	(11,896)	-	(4,914)	(16,810)
Charge for the year	(2,885)	-	(1,053)	(3,938)
At December 31, 2017	(14,781)	-	(5,967)	(20,748)
Charge for the period	(1,236)	(157,690)	(451)	(159,377)
September 30, 2018	(16,017)	(157,690)	(6,418)	(180,125)
Net book value:				
December 31, 2017	$ 13,274	$ 1,084,518	$ 2,456	$ 1,100,249
September 30, 2018	$ 39,938	$ 819,243	$ 2,005	$ 861,186

8. INVESTMENT IN AAA-H

On March 26, 2014, the Company acquired a 16.5% interest in AAA-H for $120,000. The Company executed a Share Exchange Agreement effective January 26, 2015 with the principals of AAA-H whereby the Company can acquire the remaining 83.5% interest subject to certain conditions including the grant of a Marijuana for Medical Purposes Regulations ("MMPR") license by issuing up to 4,587,500 common shares of the Company subject to CSE escrow policies. The common shares will be issued in stages. On February 24, 2015, the first tranche of 1,087,500 common shares with a fair value of $348,000 representing an additional 19.79% interest was completed. On February 24, 2015, the Company commenced equity accounting its investment in AAA-H. On October 30, 2015, the second tranche of 500,000 common shares, with a fair value of $80,000 representing an additional 9.1% interest was completed. On May 8, 2017, the third tranche of 500,000 common shares, with a fair value of $200,001 representing an additional 9.1% interest was completed. The Company now has a 54.49% ownership interest in AAA-H and as of that date has commenced consolidating AAA-H as it holds a controlling interest in AAA-H. Under equity accounting, the Company's share of AAA-H's loss for the year prior to consolidation totaled $103,825 (2016 - $205,758). Upon acquisition of more than 50% interest, the Company commenced consolidation of AAA-H. As a result of the transition to the consolidation method, the Company recorded a non-controlling interest of $1,000,226.

Prior to obtaining control, the Company recorded its investment in AAA-H to fair value, resulting in a gain of $589,025.

Fair value of shares issued to acquire controlling interest in AAA-H	$ 200,001
Implied value of AAA-H	$ 2,197,815
Allocated to	
Cash	2,186
Prepaids	5,000
Property, plant and equipment	972,656
Accounts payable and other liabilities	(2,022,443)
Net liabilities	(1,042,601)
Allocated to intangible asset	$ 3,240,416

The non-controlling interest of 45.51% in AAA-H is held by other minority shareholders.

Non-controlling interest, December 31, 2016	$ -
Fair value of non-controlling interest on transition to consolidation method of accounting	1,000,226
Non-controlling interest in loss of AAA-H to December 31, 2017	(79,921)
Non-controlling interest in loss of AAA-H to September 30, 2018	(4,859)
Allocated to intangible asset	$ 915,446

INVESTMENT IN SOLARIS

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

9. INVESTMENT IN CANNVAS

On May 12, 2015, the Company acquired 100% of Cannvas MedTech Inc. ("Cannvas") (formerly Weed Points Loyalty Inc., VapeTronix Holdings Inc. and Vapetronix Inc.). Cannvas is a Canadian vaporizer and electronic cigarette company registered in the Province of Ontario. Cannvas owns the exclusive rights to the "1313" electronic cigarette brand, a medicinal marijuana mobile application technology, and several research and development projects. The purchase price for the Cannvas shares was an aggregate of 1,750,000 common shares of the Company. Finders' units consisting of 175,000 common shares and 175,000 warrants were issued on closing. The entire value of the transaction was allocated to intellectual property on acquisition (Note 12).

On September 7, 2017, the Company entered into an Arrangement Agreement and Plan of Arrangement, as amended on October 11, 2017, (the "Arrangement") with Cannvas whereby the Company distributed 100% of Cannvas' shares to the Company's shareholders on a pro rata basis. The Company's shareholders received one share of Cannvas in exchange for every seven Company shares held as at the record date.

Following completion of the Arrangement, (i) Cannvas had certain assets transferred to it by the Company, (ii) Cannvas became a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, and applied to list on the Canadian Stock Exchange, (iii) each of the Company's shareholder continued to be shareholders of the Company, and (iv) all of the Company's shareholders as at the record date became shareholders of Cannvas.

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

On January 16, 2018, Cannvas and the Company completed the Arrangement and Cannvas issued 7,034,281 common shares to the shareholders of the Company.

On January 11, 2018, Cannvas cancelled 7,000,000 common shares previously held by the Company, and on January 16, 2018, the Company distributed its investment in Cannvas to its shareholders.

10. INVESTMENT IN NATURES HEMP

By an agreement dated October 11, 2017, the Company acquired a 100% interest in a newly formed private company, Natures Hemp Corp. ("Natures Hemp") from the CEO and director of the Company. To acquire its interest, the Company issued 1,200,000 common shares with a fair value of $600,000 to the shareholders of Natures Hemp and realized a cost of acquisition of $544,282. The acquisition of Natures Hemp is to assist the Company in expanding into the hemp food industry and produce CBD from hemp strains. Natures Hemp will be applying for a Hemp Cultivation license.

Fair value of shares issued to acquire Natures Hemp	$ 600,000
Allocated to	
Cash	(44,899)
Receivable	(10,818)
Acquisition costs expensed	$ 544,283

10. INVESTMENT IN NATURES HEMP (continued)

On April 4, 2018 the Company announced that it intended to spin out its wholly owned subsidiary Natures Hemp Corp. ("Natures Hemp") by way of a plan of arrangement (the "Plan of Arrangement"). Pursuant to the Plan of Arrangement, the shareholders of the Company received shares in Natures Hemp. The Plan of Arrangement was approved by the shareholders of the Company at the special meeting held on August 7, 2018 and the Supreme Court of British Columbia on August 13, 2018. Following completion of the Arrangement, (i) Natures Hemp held the Assets transferred to it by the Company, (ii) Natures Hemp became a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, intends to apply for listing on the Canadian Securities Exchange (the "Exchange"), and must meet the listing requirements of the Exchange. (iii) each shareholder of the Company continued to be a shareholder of the Company, (iv) all the Company's shareholders became shareholders of Natures Hemp, and (v) the Company retained its working capital for its assets, and remain listed on the Canadian Securities Exchange.

During the quarter ended September 30, 2018, the Company subsidiary Natures Hemp was spun out on August 29, 2018.

11. INVESTMENT IN PROPAGATION SERVICES CANADA INC.

On June 29, 2018 the Company announced the formation of Propagation Services Canada Inc. ("PSC") through a partnership with Casey Houweling. By outsourcing propagation services licensed producers of cannabis can significantly increase revenue while reducing the risk association to cloning cannabis plants.

12. INTELLECTUAL PROPERTY

Balance, December 31, 2015	
Intellectual property	$ 591,779
Trademark	17,660
	609,439
Amortization for the year ended December 31, 2016	(186,885)
Impairment	(422,550)
Net book value. December 31, 2016 and 2017	$ -

At December 31, 2016, the Company determined that the intellectual property and trademark were impaired and wrote off the balance of $422,550 to operations.

13. LOAN AND MORTGAGE PAYABLE

On October 30, 2017, the Company entered into a loan agreement evidenced by a promissory note with MYM Nutraceuticals Inc. for US$100,000 ($129,950). The loan bears interest at 10% per annum commencing December 1, 2017, is unsecured and due on demand.

At December 31, 2017, AAA-H owed a total of $509,621 in loans payable. These loans are unsecured, due on demand, and non-interest bearing. Included in this amount is $52,500 owing to a director of AAA-H (Note 14).

During the year ended December 31, 2016, the Company sold a property it held at the time for an amount equal to the outstanding mortgage.

14. SHARE CAPITAL

a) Common shares

Authorized:
Unlimited number of common shares without par value.

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

Issued:
On January 22, 2016, the Company issued 1,250,000 common shares to settle $30,000 of accounts payable.

On May 16, 2016, the Company issued 625,000 common shares to settle $26,250 of accounts payable resulting in a gain of $16,250.

On August 3, 2016, the Company issued 10,000,000 common shares at a price of $0.013 per share to acquire the Lac Saint Simon mineral property

On August 17, 2016, the Company issued 4,062,000 units at a price of $0.05 per unit for gross proceeds of $203,100. Each unit consists of one common share and one transferable share purchase warrant of the Company. Each warrant is exercisable to purchase one additional common share of the Company until August 17, 2018 at $0.10 per share. The full issue price was allocated to the common shares. Finders' fees were paid in the amount of $7,020 along with the issuance of 202,800 agent warrants. Each agent warrant is exercisable to purchase one common share of the Company until August 17, 2018 at $0.10 per share. These agent warrants have a fair value, calculated using the Black-Scholes Option Pricing Model, of $7,719, assuming an expected life of two years, a risk-free interest rate of 1.5%, an expected dividend rate of 0.00%, and an expected annual volatility of 192%.

On August 19, 2016, the Company issued 3,470,260 common shares at a price of $0.08 to settle debt of $173,514, resulting in a loss of $104,107.

14. SHARE CAPITAL (continued)

On November 4, 2016, the Company issued 260,000 flow-through common shares at a price of $0.25 per share for gross proceeds of $65,000 and 1,545,000 units at a price of $0.20 per unit for gross proceeds of $309,000. Each unit consists of one common share and one transferable share purchase warrant of the Company. Each warrant is exercisable to purchase one additional common share of the Company until November 4, 2018 at $0.25 per share. The full issue price was allocated to the common shares. The Company recorded $13,000 as a flow-through share premium which was reversed in the statement of comprehensive loss upon the Company incurring the required exploration expenditures. Finders' fees were paid in the amount of $7,680 along with the issuance of 62,700 agent warrants. Each agent warrant is exercisable to purchase one common share of the Company until November 4, 2018 at $0.25 per share. These agent warrants have a fair value, calculated using the Black-Scholes Option Pricing Model, of $9,174, assuming an expected life of two years, a risk-free interest rate of 1.5%, an expected dividend rate of 0.00%, and an expected annual volatility of 152%.

During the year ended December 31, 2016, the Company issued 1,275,400 shares on the exercise of warrants for proceeds of $157,080 and 550,000 shares on the exercise of stock options for proceeds of $110,000.

On March 10, 2017, the Company issued 7,656,500 units at a price of $0.25 per unit, for gross proceeds of $1,914,125. Each unit consists of one common share and one transferrable common share purchase warrant. Each warrant is exercisable to purchase one additional common share of the Company until March 19, 2019 at $0.40 per common share. Finders' fees were paid in the amount of $79,643 cash along with the issuance of 299,370 finders' warrants. These warrants have a fair value, calculated using the Black-Scholes Option Pricing Model, of $71,862, assuming an expected life of one year, a risk-free interest rate of 0.84%, an expected dividend rate of 0.00%, and an expected annual volatility of 209%.

During the year ended December 31, 2017, the Company issued 12,267,020 shares on the exercise of warrants for proceeds of $3,240,170, and 1,482,500 shares on the exercise of stock options for proceeds of $378,425.

During the year ended December 31, 2017, the Company issued 500,003 common shares valued at $200,001 for the acquisition of 9.1% of AA-H (Note 8).

During the year ended December 31, 2017, the Company issued 1,200,000 common shares valued at $600,000 on the acquisition of Natures Hemp (Note 11).

During the nine months ended September 30, 2018, 5,400,000 stock options were exercised for a proceed of $371,200.

During the nine months ended September 30, 2018, 10,000,000 common shares were issued for a deem price of $1,460,000 for services rendered.

During the nine months ended September 30, 2018, the Company's subsidiary, Natures Hemp, received $990,000 on subscription of special warrants. Natures Hemp was spun out on August 29, 2018.

14. SHARE CAPITAL (continued)

b) Warrants outstanding

	Number of warrants[1]		Weighted average exercise price[1]
Balance at December 31, 2016	59,637,000		0.044
Warrants exercised	(61,335,100)		0.052
Warrants issued	39,779,350		0.080
At December 31, 2017	38,081,250	$	0.072
Warrants exercised	(14,897,250)		0.065
Warrants issued	-		-
At September 30, 2018	23,184,000	$	0.075

Expiry Date	Remaining life (years)	Number of warrants		Exercise price
October 30, 2018	0.08	1,750,000		0.060
November 4, 2018	0.10	2,775,800		0.050
March 10, 2019	0.44	18,658,200		0.080
Balance at September 30, 2018		23,184,000	$	0.075

(1) Reflect 5 to 1 stock split on November 19, 2018

The weighted average remaining life of the warrants outstanding is 0.47 years (December 31, 2017– 1.01 years)

c) Stock options outstanding

On August 14, 2015, the Company's 2015 Stock Option Plan was approved. Under this plan, the Company may grant options to directors, officers, employees, and consultants, provided that the maximum number of options that are outstanding at any time shall not exceed 20% of the issued and outstanding common shares of the Company. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less applicable discount. The options may be granted for a maximum of ten years and vesting is determined by the Board of Directors.

Grant Date	Expiry date	Number of options [1]		Exercise price[1]
March 12, 2014	March 11, 2019	437,500	$	0.128
January 24, 2017	January 24, 2019	2,250,000		0.053
September 6, 2017	September 6, 2019	7,000,000		0.093
March 29, 2018	March 29, 2020	16,125,000		0.168
September 10, 2018	September 10, 2020	1,000,000		0.128
Balance at September 30, 2018		26,812,500	$	0.132

	Number of options[1]	Weighted average exercise price[1]
Balance at December 31, 2016	11,168,750	0.069
Options cancelled and expired	(3,043,750)	0.074
Options exercised	(7,412,500)	0.052
Options granted	14,375,000	0.080
At December 31, 2017	15,087,500	0.080
Options cancelled and expired	-	-
Options exercised	(5,400,000)	0.078
Options granted	17,625,000	0.166
At September 30, 2018	26,812,500	0.136

(1) Reflect 5 to 1 stock split on November 19, 2018

The weighted average remaining life of the options outstanding is 1.16 years (December 31, 2017 – 1.40 years)

14. SHARE CAPITAL (continued)

c) Stock options outstanding (continued)

On January 24, 2017, the Company granted 4,875,000 stock options to certain consultants of the Company to acquire 4,875,000 shares of the Company at an exercise price of $0.053 per share for a period of two years that expire on January 24, 2019. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $215,302 assuming an expected life of 1.5 years, a risk-free interest rate of 0.78%, an expected dividend rate of 0.00%, and an expected annual volatility of 208%.

On September 6, 2017, the Company granted 9,500,000 stock options to certain consultants of the Company to acquire 9,500,000 shares of the Company at an exercise price of $0.093 per share for a period of two years that expire on September 6, 2019. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $664,791 assuming an expected life of 1.5 years, a risk-free interest rate of 1.44%, an expected dividend rate of 0.00%, and an expected annual volatility of 188%.

All stock options vested on the date of grant. Included in stock-based compensation expense for the year is $54,066 relating to stock options granted by Cannvas prior to transition to equity method of accounting.

On March 29, 2018, the Company granted 16,625,000 stock options to officers and consultants of the company with an exercise price of $0.168 per option expiring March 29, 2020. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $2,054,508 assuming an expected life of 2.0 years, a risk-free interest rate of 1.77%, an expected dividend rate of 0.00%, and an expected annual volatility of 156%.

During the quarter ended September 30, 2018, 5,400,000 options were exercised for gross proceeds of $371,200.

d) Share-Based Payments Reserve

The share-based payment reserve represents employee entitlements to share-based awards that have been charge to the loss and other comprehensive loss in the periods during which the entitlements were accrued and have not yet been exercised. When the stock options are exercised, the corresponding amount will be transferred to share capital. If the options expired unexercised, the amount recorded is transferred to deficit.

e) Warrants Reserve

The warrants reserve records fair value of the warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to deficit.

15. RELATED PARTY TRANSACTIONS

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the period ended September 30, 2018 and the year ended December 31, 2017:

Nine months ended September 30, 2018		
	Fees	**Share-based compensation**
Christopher Hornung	$ -	$ -
Cherry Consulting Ltd	18,600	-
Elben Capital Inc.	98,000	617,898
FourOneSix Inc.	125,000	308,949
Clairewood Partners / David Parry	30,250	617,898
Jerry Habuda	-	-
Shawn Moniz	-	-
Joseph Perino	-	-
	$ 271,850	$ 1,544,745

Year ended December 31, 2017		
	Fees	**Share-based compensation**
Christopher Hornung	$ 7,500	$ -
Cherry Consulting Ltd	34,704	27,741
Elben Capital Inc.	134,190	36,862
FourOneSix Inc.	80,000	9,881
Clairewood Partners / David Parry	31,000	452,988
Jerry Habuda	7,500	-
Shawn Moniz	-	9,881
Joseph Perino	7,500	-
	$ 302,394	$ 537,353

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand. At September 30, 2018, $54,088 (December 31, 2017 - $87,400) is owing to related parties for unpaid fees, of which $1,588 is included in accounts payable and accrued liabilities and $52,500 is included in loans payable. Refer also to Note 11.

16. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities along with other cash flow information during the years ended September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018	December 31, 2017
Fair value of agent warrants issued for share costs	-	$ 71,862
Fair value of transfer on exercise of stock options	-	172,610
Shares issued for acquisitions and investments	-	800,001
Shares received on sale of mineral property	-	250,000
Shares issued for services	1,460,000	-

17. SEGMENTED INFORMATION

During the year ended December 31, 2016, the Company operated in three reportable segments: (i) the acquisition, exploration, and development of exploration and evaluation assets; (ii) the medical marijuana industry through the purchase of an interest in a private Ontario company that is in the process of applying for a MMPR license; and (iii) the sale of e–cigarettes. During the year ended December 31, 2017 and quarter ended September 30, 2018, the Company operated in one reportable segment: the medical marijuana industry through AAA-H.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, receivables, loans receivable, accounts payable, and loans payable approximate their carrying values due to the immediate or short-term nature of these instruments.

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

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

The Company's cash is measured using level 1 inputs.

b) Financial risk management

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

Credit risk

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

The loans receivable exposed 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.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at September 30, 2018 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

Market risk

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

(a) Interest rate risk

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

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

(b) Foreign currency risk

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

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

(c) Capital risk management

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

The capital structure of the Company consists of equity attributable to common shareholders. The availability of new capital will depend on many factors including positive stock market conditions, AAA H.

receiving a MMPR license from Health Canada, and the experience of management. The Company is not subject to any external covenants on its capital.

19. SUBSEQUENT EVENTS AFTER REPORTING PERIOD

Subsequent to quarter just ended and after the name change:

a) On October 18, 2018, the Company closed a $12.5 million first tranche of $40 million Equity Participation and Earn-In Agreement with Delta Organic Cannabis Corp. and issued the first tranche of 5,572,755 common shares (the “Shares”) of the Company at a deemed price of $2.24 per Share.

b) The Company completed a subdivision (the “Stock Split”) of its issued and outstanding common shares on the basis of five (5) new common shares for every one (1) common share held by the shareholders of record (the “Registered Holders”) as at November 19, 2018 (the “Record Date”). Consequently, Registered Holders as of the Record Date will receive four additional common shares for each common share held. In accordance with the Company’s Articles, shareholder approval was not required for the Stock Split. The Company’s common shares are expected to commence trading on a split-adjusted basis on November 16, 2018. Registered Holders do not need to take any action. The Company's transfer agent will send to all Registered Holders a notice under the direct registration system indicating the number of additional common shares that they received as a result of the Stock Split. These additional common shares will be held in book-entry form and registered electronically in the transfer agent's recordkeeping system, unless a physical share certificate is requested by the Registered Holder. Currently outstanding share certificates representing common shares of the Company will continue to be effective. They should be retained by Registered Holders and should not be forwarded to the Company or its transfer agent. Non-registered shareholders will have their brokerage accounts automatically updated to reflect the Stock Split. After giving effect to the Stock Split, the Company has approximately 340,671,315 common shares outstanding. The Company’s authorized share capital will remain unchanged. Outstanding stock options and share purchase warrants will also be adjusted by the Stock Split ratio and the respective exercise prices of outstanding stock options and share purchase warrants will be adjusted accordingly.

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

Management's Discussion and Analysis

For the Nine Months Ended September 30, 2018

(Unaudited – prepared by management)

(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2018

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, 2018 should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the nine months ended September 30, 2018 and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2017, 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 28, 2018. All dollar figures stated herein are expressed in Canadian dollars unless otherwise indicated.

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

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding exploration results and budgets, mineral resource estimates, work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties, and other factors. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainty regarding the potential acquisition of AAA Heidelberg Inc.; uncertainty regarding obtaining a marijuana for Medical Purposes Regulations license from Health Canada; uncertainty regarding changes in laws, regulations, and guidelines issued by Health Canada and the State of Washington; uncertainty regarding the risks inherent in an agricultural business such as insects and plant diseases; product liability; fluctuations in prices; uncertainty of the sales of e-cigarettes; fluctuations in energy costs; and uncertainty as to timely availability of licenses, permits, and other government approvals and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policy that all forward-looking statements are based on the Company's beliefs and assumptions, which are based on information available at the time these assumptions are made. The forward looking statements contained herein are as of May 28, 2018 and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning our expectations for satisfactory resolution of the

Company's contingent liability and the Company's investment in AAA Heidelberg Inc. ("**AAA Heidelberg**"), Solaris Nutraceuticals Pty Ltd. (formerly PUF Ventures Australia PTY Ltd.) ("**Solaris**") and Natures Hemp Corp. ("**Natures Hemp**").

Actual results or events could differ materially from the plans, intentions, and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties, and other factors such as those described above and in "Risks and Uncertainties" below. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

DESCRIPTION OF THE BUSINESS

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

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

On July 16, 2015, the Company qualified to trade on the OTC Pink Sheets ("**OTCPK**") under the symbol "CHLMF" and has been made eligible for book-entry delivery and depository services of the Depository Trust Company to facilitate electronic settlement of transfers of its common shares in the United States. This electronic method of clearing securities speeds up the receipt of stock and cash and therefore accelerates the settlement process for investors. On February 24, 2016, the Company changed its symbol on the OTCPK to "PUFXF". The Company also trades on the Frankfurt Stock Exchange under the symbol "PU3".

On June 30, 2016, the Company completed a 4 for 1 share consolidation. All references to number of shares and per share amounts in this MD&A have been retroactively restated to reflect this consolidation.

On March 29, 2018, the Company granted incentive stock options to purchase a total of 3,325,000 common shares at an exercise price of $0.84 per share for a period of two years to its directors, officers and consultants in accordance with the provisions of its stock option plan.

The Company completed a subdivision (the "Stock Split") of its issued and outstanding common shares on the basis of five (5) new common shares for every one (1) common share held by the shareholders of record (the "Registered Holders") as at November 19, 2018 (the "Record Date"). Consequently, Registered Holders as of the Record Date will receive five additional common shares for each common share held.

The Company was formerly classified as an exploration stage company with respect to its exploration and evaluation of assets and disposed of its last mineral property during the year.

On March 26, 2014, the Company acquired a 16.5% interest in AAA Heidelberg, a private company located in Ontario, for cash of $120,000. The Company signed a letter of intent ("**LOI**") with the principals of AAA Heidelberg whereby the Company was granted the exclusive option to acquire the balance of the 83.5% interest subject to certain conditions including the grant of an ACMPR (Access to Cannabis for Medical Purposes Regulations) (formerly MMPR) license and by issuing up to 18,350,000 PUF Shares subject to the escrow policies of the CSE. A share exchange agreement was finalized effective January 26, 2015 (the "**Share Exchange Agreement**"). On February 24, 2015, the Company issued the first tranche of 4,350,000 common shares of the Company to the shareholders of AAA Heidelberg representing an additional

19.79% interest. On October 30, 2015, the Company issued the second tranche of 2,000,000 common shares of the Company representing an additional 9.1% interest, which represented the Company's 45.39% ownership interest in AAA Heidelberg. On May 8, 2017, the Company issued a third tranche of 500,003 common shares of the Company at a deemed price of $0.40 per common share representing an additional 9.1% interest for a total of 54.49% majority interest. The transfer resulted in the Company currently owning a total of 54.49% of AAA Heidelberg. AAA Heidelberg is in Stage 5 of 7 in its application for an ACMPR license from Health Canada. The Company has an option to acquire the balance of shares to own 100% of AAA Heidelberg upon receipt of the ACMPR license.

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

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

On February 8, 2018, the Company announced that Health Canada has contacted AAA Heidelberg to acknowledge the Company's position in the ACMPR licensing process which is the confirmation of readiness stage. Upon receipt and successful review of an evidence package, AAA Heidelberg can expect to receive an ACMPR license to grow medical cannabis.

On May 12, 2015, the Company announced the closing of the acquisition of 100% of VapeTronix Inc., now Cannvas MedTech Inc. ("**Cannvas**"). Cannvas was incorporated on November 24, 2014 pursuant to the Canada Business Corporations Act on June 23, 2017. On September 11, 2017, Cannvas changed its name from Vapetronix Holdings Inc. to Weed Points Loyalty Inc. and on December 13, 2017, changed its name to Cannvas Medtech Inc.

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

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

medical marijuana in Canada. As was recently outlined in a Health Canada update, several improvements aimed at streamlining and expediting the application process under the ACMPR program have been implemented.

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

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

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

On June 19, 2017, the Company sold its Lac Saint Simon Property to Volt Energy Corp. ("**Volt**") (TSXV: VOLT) pursuant to a mineral property acquisition agreement dated June 1, 2017 with Volt. In consideration for the sale of 100% of the asset, the Company was issued 2.5 million common shares of Volt.

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

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

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

On September 7, 2017, the Company entered into an arrangement agreement (the "**Arrangement Agreement**"), as amended on October 11, 2017, and plan of arrangement (the "**Arrangement**") with Weed Points, now Cannvas. For further details on completion of the Arrangement, see "Subsequent Events" below.

For the Nine Months Ended September 30, 2018

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

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

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

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

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

The final step is the security system installation.

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

On January 16, 2018, the Company completed the Arrangement with Cannvas. Pursuant to the Arrangement, the Company transferred its WeedBeacon proprietary technology, current app developments, databases, graphics, brochures and other marketing materials (the "**Assets**") to Cannvas. On November 24, 2017, the Company received shareholder approval to the Arrangement and on November 30, 2017, the Company received the approval to the Arrangement from the Supreme Court of British Columbia.

Pursuant to the Arrangement, the Company distributed 100% of the common shares of Cannvas it received to the shareholders of the Company on a *pro rata* basis. The Company's shareholders received one (1) common share of Cannvas in exchange for every seven (7) common shares of the Company held as at the record date of October, 4, 2017. There was no change in shareholders' holdings in the Company as a result of the Arrangement. No outstanding warrants or options of the Company will be transferred over to Cannvas.

As a result of completing the Arrangement, Cannvas became a reporting issuer in the provinces of British Columbia, Alberta and Ontario. Completion of the Arrangement, as set forth in the Arrangement Agreement was approved by the shareholders of PUF on November 24, 2017 and by a Final Order granted by the Supreme Court of British Columbia on November 30, 2017 in accordance with Part 9 of the Business Corporations Act (British Columbia).

On January 26, 2018, the Company announced that in response to Health Canada's January 25, 2018 announcement regarding changes to the physical security requirement under the ACMPR, the Company is moving to immediately complete

the video recording for the Confirmation of Readiness submission and call for a Health Canada inspection of its London, Ontario facility

The Company was advised by the Office of Medical Cannabis that Health Canada had issued an announcement on January 25, 2018, regarding two targeted changes to physical security requirements under the ACMPR. The changes will help to align the physical security requirements with the evidence of actual risks to public safety without imposing an unjustifiable burden on regulated parties. The statement modifies the security measures necessary for:

- areas where cannabis plants are cultivated, propagated, harvested or trimmed and to areas where cannabis seeds are present or stored, and
- the vault and storage areas.

The Company's London, Ontario facility has the most up-to-date growing and security technologies available. The security system meets or exceeds all requirements demand by Health Canada. The growing facility meets the highest level of pharmaceutical standards and features a state-of-the-art HVAC and Surna Water Chilled Climate Control system. These systems provide the backbone of the facility's automated control for temperature, light, humidity, carbon dioxide, and special ventilation for bacteria regulation. Grow lights, tracking software and auxiliary hardware have also been installed.

The facility will have an annual production of approximately 600 kilograms of medical cannabis.

On February 1, 2018, the Company announced the formation of a technology partnership between Cannvas and Blox Labs Inc. (CSE: BLOX) (US OTC: BLLXF) (FSE: BR1B), a technology company specialized in decentralized ledger technology, smart contracts and blockchain development.

On October 13, 2017, the Company completed the acquisition of Natures Hemp, a private company developing proprietary hemp base food and medicinal products with a major Canadian university. Pursuant to the share purchase agreement, the Company purchased 100% of the issued and outstanding common shares of Natures Hemp in consideration of the issuance of a total of 1,200,000 common shares of the Company (equivalent to a value of CAD$600,000) which was distributed on a *pro rata* basis to Natures Hemp at a deemed price of $0.50 per share.

On April 4, 2018 the Company announced that it intended to spin out its wholly owned subsidiary Natures Hemp Corp. ("Natures Hemp") by way of a plan of arrangement (the "Plan of Arrangement"). Pursuant to the Plan of Arrangement, the shareholders of the Company received shares in Natures Hemp. The Plan of Arrangement was approved by the shareholders of the Company at the special meeting held on August 7, 2018 and the Supreme Court of British Columbia on August 13, 2018. Following completion of the Arrangement, (i) Natures Hemp held the Assets transferred to it by the Company, (ii) Natures Hemp became a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, intends to apply for listing on the CSE, and must meet the listing requirements of the CSE. (iii) each shareholder of the Company continued to be a shareholder of the Company, (iv) all the Company's shareholders became shareholders of Natures Hemp, and (v) the Company retained its working capital for its assets, and remain listed on the CSE.

During the nine months ended September 30, 2018, Natures Hemp completed a non-brokered private placement raising gross proceeds of $546,000 by the issuance of 8,990,000 special warrants at a price range of $0.05 - $0.10 per Special Warrant, it is shown as subscription received. Natures Hemp further plans to complete a non-brokered private placement of up to $5,000,000 by the issuance of up to 20,000,000 special warrants at a deemed price of $0.25 per Special Warrant, of which $444,000 or 1,776,000 special warrants was raised by June 30, 2018. All special warrant were converted into common shares of the Company on August 29, 2018.

The Company completed the Plan of Arrangement and spun out Natures Hemp on August 29, 2018.

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

On June 29, 2018 the Company announced the formation of Propagation Services Canada Inc. ("PSC") through a partnership

with Casey Houweling. By outsourcing propagation services licensed producers of cannabis can significantly increase revenue while reducing the risk association to cloning cannabis plants.

Natures Hemp Corp.

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

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

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

Hemp and hemp derived CBD products are among the fastest growing segments in the cannabis industry. A recent article published in The Hemp Business Journal indicated an expected CBD consumer market of $2.1 billion by 2020, which represents a 700% growth rate in CBD sales from current levels.
Source: http://www.cannatech.news/2017/07/20/cbd-consumer-market-expected-reach-2-1-billion-2020/

Equity Participation and Earn-In Agreement with Delta Organic Cannabis Corp

On October 18, 2018, the Company closed a $12.5 million first tranche of $40 million Equity Participation and Earn-In Agreement with Delta Organic Cannabis Corp. ("DOCC"), a privately held Toronto-based cannabis investment company backed by preeminent leaders in Canadian cannabis enterprise, and issued the first tranche of 5,572,755 common shares (the "Shares") of the Company at a deemed price of $2.24 per Share. The proceed will be used to retrofit a 2.2 million square foot greenhouse for cannabis cultivation, The Shares are being issued pursuant to the Equity Participation and Earn-In Agreement dated September 25, 2018 as amended on October 11, 2018 and November 15, 2018, with DOCC.

AGRA and DOCC have agreed to modify the Agreement payment terms initially announced on September 25, 2018 to the following draw down table:

- October 18, 2018, DOCC advanced $12,500,000 for 5,572,755 shares of the Company (pre-split);
- November 30, 2018, DOCC to advance $7,500,000 for 16,718,265 post-split shares of the Company (3,343,653 pre-split shares);
- January 15, 2019, DOCC to advance $5,000,000 for 11,145,510 post-split shares of the Company (2,229,102 pre-split shares);
- March 1, 2019, DOCC to advance $15,000,000 for 33,436,530 post-split shares of the Company (6,687,306 pre-split shares).

Earn-In Right to be exercised according to the following earn-in schedule from AGRA's current 50% portion of PSC:

- DOCC has earned a 6.25% of PSC, by satisfaction of $12,500,000 of the defined subscription obligation;
- DOCC shall earn an additional 3.75% (for a total of 10%) of PSC by satisfaction of a further $7,500,000 of the defined subscription obligations;
- DOCC shall earn an additional 2.5% (for a total of 12.5%) of PSC by satisfaction of a further $5,000,000 of the defined subscription obligations;
- DOCC shall earn an additional 7.5% (for a total of 20%) of PSC by satisfaction of a further $15,000,000 of the defined subscription obligations

The proceeds of the subscriptions are to be used exclusively to develop the Delta propagation complex consisting of 2,200,000 square feet of illuminated greenhouse space and 1,700,000 square feet of "ebb and flood" irrigation space.

On October 18, 2017, the Company announced that it has entered into a strategic partnership with MYM Nutraceuticals Inc. ("**MYM**") (CSE:MYM) (OTC:MYMMF) for the construction of a one million square foot greenhouse facility in northern New South Wales, Australia called the Northern Rivers Project.

The Company will own 35% of the Northern Rivers Project, which, at full scale, will have the capacity to produce 100,000 kilograms of high quality cannabis per year, worth between C$800 million and C$1.1 billion (based on current pricing metrics in the Australian cannabis marketplace).

Australia has introduced progressive medical cannabis laws in the past few years, and are essentially where Canada was four years ago. Assuming recreational cannabis becomes legal and with a population of more than 24 million people, it is estimated that the cannabis market in Australia will grow to C$9 billion over the next seven years making it a very attractive market. Being one of the first large-scale production facilities in the Australian market, the Issuer and MYM could capture a significant portion of that potential revenue. By entering this market through a strategic partnership with the local land-owning government, the Company and MYM are positioned to become leaders in both Australian and global cannabis production.

On November 14, 2017, the Company announced that Solaris has filed three applications with the Australian Office of Drug Control for the cultivation, production and manufacture of cannabis at the Northern Rivers Project. The applications, if successful, will allow Solaris to take cannabis from seed to finished product. On November 16, 2017, the Company announced that Solaris has retained Mr. Casey Houwelings and Mr. Peter Cummings as greenhouse consultants for the medical cannabis Northern River Project and on November 21, 2017, the Company announced that Solaris has engaged renowned Dutch greenhouse builder KUBO, for engineering and the tendering process for the construction of the greenhouse.

Details on the Northern Rivers Project

The Company and MYM plan to construct a one million square foot greenhouse operation, with large-scale manufacturing, processing and office facilities for the cultivation, production and manufacture of medical cannabis and associated products in Australia. The construction of the facility will be completed in stages at an estimated total cost of C$50 million. The first phase of the project is to cover approximately 300,000 square feet, which upon completion will be the largest medical cannabis greenhouse in Australia. Based on current construction timelines, permitting and various Australian approvals, the first crop is expected to be planted in the fourth quarter of 2018. The Company will seek financing to cover the costs of the project from both local and international partners.

At full scale, the new facility will have the capacity to support annual production of 100,000 kilograms of high-quality cannabis, which, based on the current market price for high quality medical cannabis in Australia of between C$227 and C$315 per ounce or C$8,000 and C$11,000 per kilogram, equates to an associated annual revenue generation potential of between C$800 million and C$1.1 billion. Internal analysis suggests these prices will hold or likely increase due the higher-margin, high-quality medical-grade cannabis grown. Total operating costs are estimated to be between 20-25 percent of gross revenue.

In addition, Solaris has entered into to a purchase option agreement with the Richmond Valley Council for a 27-hectare parcel of land near the town of Casino in northern New South Wales, Australia. This is a landmark agreement whereby the council will provide the land for five years at no cost, with an option for Solaris to purchase the parcel on favourable terms after year five. The cost of the parcel at year five will be based on the current value of the land and not the reassessed value at the future date. In addition, Solaris will be entitled to credits for money spent on land infrastructure.

On December 4, 2017, the Company announced that Solaris filed application with the Australian Office of Drug Control to obtain a medicinal cannabis license and a cannabis research license in collaboration with the NICM, an Australian Health Research Institute based at Western Sydney University in New South Wales (NSW), Australia.

Solaris aims to conduct medical research with NICM's academic input at its proposed Northern Rivers Project, in a 10,000-square foot dedicated laboratory, training center and research facility. When complete the facility will include an extensive 1,200,000 square feet medicinal cannabis cultivation greenhouse and extraction plant, to be located near Casino, NSW. The Company and MYM are partners in the Northern Rivers Project.

EXPLORATION AND EVALUATION PROPERTIES

Lac Saint Simon Property, Quebec

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

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

On April 12, 2017, the Company announced that it was in the process of finalizing negotiations for the sale of the Lac Saint Simon Property. A National Instrument 43-101 compliant technical report was currently being authorized and completed, which encompasses the preliminary reconnaissance exploration program that was conducted along with the recently completed airborne geophysical survey. According to Nemaska, the Whabouchi Project is one of the most important spodumene lithium hard rock deposits in the world both in volume and grade. A mineral reserve estimate prepared by Met-Chem using the updated Mineral Resource block model suggests that Whabouchi hosts an estimated 20 million tonnes of Proven and Probable Reserves with a grade of 1.53% Li_2O Open Pit and 7.3 million tonnes of Proven and Probable Reserves with a grade of 1.28% Li_2O Underground. The mineralization hosted on the Whabouchi property is not necessarily indicative of the mineralization hosted on the Company's Lac Saint Simon Property.

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

Risk Factors Relating to AAA Heidelberg

Should AAA Heidelberg be granted a license, the Company intends to complete the transaction by issuing the remaining shares of the Company to the shareholders of AAA Heidelberg. The completion of the transaction will be considered a Change of Business and at that time the Company will make a filing with the CSE, create a disclosure statement, and convene a special meeting to seek shareholder approval.

The following risk factors should be carefully considered in evaluating the Company, its potential acquisition of AAA Heidelberg and the resulting Company post transaction. The risks presented below may not be all of the risks that the Company post transaction and AAA Heidelberg may face. It is believed that these are the factors that could cause actual

results to be different from expected and historical results. The market in which AAA Heidelberg currently competes is very competitive and changes rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements.

Reliance on license

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

Regulatory risks

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

Change in laws, regulations, and guidelines

AAA Heidelberg's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of medical marijuana but also including laws and regulations relating to health and safety, the conduct of operations, and the protection of the environment. On March 21, 2014, the Federal Court of Canada issued an order affecting the repeal of the ACMPR and the application of certain portions of the ACMPR which are inconsistent with the MMAR in response to a motion brought by four individuals. On August 24, 2016, the ACMPR was repealed under the Controlled Drugs and Substances Act and replaced by the ACMPR. See *Glossary of Terms*. While to the knowledge of AAA Heidelberg's management, AAA Heidelberg is currently in compliance with all such laws, however, further changes to such laws, regulations, and guidelines due to matters beyond the control of AAA Heidelberg may cause adverse effects to AAA Heidelberg's business, financial condition and results of operations and for the Company upon completion of the Arrangement.

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

Limited operating history

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

Reliance on a single facility

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

Reliance on management

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

Factors which may prevent realization of growth targets

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

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

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

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

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

Additional financing

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

adverse effect upon future profitability. AAA Heidelberg and the Company may require additional financing to fund its operations to the point where it is generating positive cash flows.

Competition

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

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

Risks inherent in an agricultural business

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

Vulnerability to rising energy costs

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

Transportation disruptions

Due to the perishable and premium nature of AAA Heidelberg's products, AAA Heidelberg will depend on fast and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of AAA Heidelberg and the Company upon completion of the Arrangement. Rising costs associated with the courier services used by AAA Heidelberg to ship its products may also adversely impact the business of AAA Heidelberg and its ability to operate profitably.

Unfavourable publicity or consumer perception

AAA Heidelberg believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy, and quality of the medical marijuana produced. Consumer perception of AAA Heidelberg's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention, and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention, or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for AAA Heidelberg's products and the business, results of operations, financial condition and cash flows of AAA Heidelberg

and the Company upon completion of the Arrangement. AAA Heidelberg's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on AAA Heidelberg and the Company, the demand for AAA Heidelberg's products, and the business, results of operations, financial condition and cash flows of AAA Heidelberg and the Company post transaction. Further, adverse publicity reports or other media attention regarding the safety, the efficacy, and quality of medical marijuana in general, or AAA Heidelberg's products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product liability

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

Product recalls

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

Reliance on key inputs

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

Dependence on suppliers and skilled labour

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

Forecast Uncertainties

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

Operating risk and insurance coverage

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

Exchange restrictions on business

As part of its conditional approval, the Exchange requires that as a condition to listing the Company deliver an undertaking confirming that, while listed on the Exchange, the Company post transaction will only conduct the business of production, acquisition, sale and distribution of medical marijuana in Canada as permitted under the Health Canada License. This undertaking could have an adverse effect on the Company post transaction's ability to export marijuana from Canada and on its ability to expand its business into other areas including the provision of non-medical marijuana in the event that the laws were to change to permit such sales and the Company post transaction is still listed on the Exchange and still subject to such undertaking at the time. This undertaking may prevent the Company post transaction from expanding into new areas of business when the Company post transaction's competitors have no such restrictions. All such restrictions could

materially and adversely affect the growth, business, financial condition, and results of operations of the Company post transaction.

Management of growth

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

Conflicts of interest

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

Litigation

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

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

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

Dividends

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

Environmental and employee health and safety regulations

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

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Revenue ($)	Loss for the period ($)	Loss per Share (Basic & Diluted) ($)
December 31, 2016	-	(1,349,808)	(0.00)
March 31, 2017	-	(469,295)	(0.00)
June 30, 2017	-	(241,982)	(0.00)
September 30, 2017	-	(387,191)	(0.00)
December 31, 2017	-	(1,058,633)	(0.00)
March 31, 2018	-	(2,897,539)	(0.00)
June 30, 2018	-	(1,144,329)	(0.00)
September 30, 2018	-	(1,319,835)	(0.00)

RESULTS OF OPERATIONS

The Company's loss for the nine months ended September 30, 2018 was $5,361,703 compared to a loss of $1,098,468 for the nine months ended September 30, 2017. The significant changes in the current year were an increase in consulting and management fees to $2,444,412 compared to $531,423 during the comparative year due to an increase in business activity. Share-based compensation also increased from $215,332 during the comparative year to $2,054,508 in the current year on the granting of stock option, regulatory and transfer agent fees also increased from $62,316 during the comparative year to $140,801 in the current year. Legal expenses increased from $10,609 during the comparative year to $70,001 in the current year.
The Company's loss for the three months ended September 30, 2018 was $1,319,835 compared to a loss of $387,191 for the three months ended September 30, 2017. The significant changes in the current year were an increase in consulting and management fees to $1,282,013 compared to $240,860 during the comparative year due to an increase in business activity. Development and compliance also increased from $15,000 during the comparative year to $40,166 in the current year. Legal expenses increased from $4,022 during the comparative year to $34,776 in the current year.

LIQUIDITY

The Company's cash on hand decreased to $1,295,443 at September 30, 2018 from $3,791,249 at December 31, 2017.

The Company had working capital of $438,658 at September 30, 2018 compared to a working capital of $3,043,637 at December 31, 2017. The decrease in working capital was due to investment in PSC.

As of the date of this MD&A, the Company has sufficient working capital to meet its ongoing financial obligations for the coming year.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements to which the Company is committed.

COMMITMENTS

The Company had no commitments at September 30, 2018 or the date of this report.

CONTINGENT LIABILITY

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

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

RELATED PARTY TRANSACTIONS

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the period ended September 30, 2018 and the year ended December 31, 2017:

Nine months ended September 30, 2018	Fees	Share-based compensation
Christopher Hornung	$ -	$ -
Cherry Consulting Ltd	18,600	-
Elben Capital Inc.	98,000	617,898
FourOneSix Inc.	125,000	308,949
Clairewood Partners / David Parry	30,250	617,898
Jerry Habuda	-	-
Shawn Moniz	-	-
Joseph Perino	-	-
	$ 271,850	$ 1,544,745

Year ended December 31, 2017	Fees	Share-based compensation
Christopher Hornung	$ 7,500	$ -
Cherry Consulting Ltd	34,704	27,741
Elben Capital Inc / Derek Ivany	134,190	36,862
FourOneSix Inc.	80,000	9,881
Clairewood Partners / David Parry	31,000	452,988
Jason Springett	-	-
Jerry Habuda	7,500	-
Joseph Perino	7,500	-
Shawn Moniz	0	9,881
	$ 302,394	$ 537,353

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand.

CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

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

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

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

Financial risk management

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

Credit risk

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

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at September 30, 2018 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements,

or a combination thereof.

Market risk

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

Interest rate risk

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

Current financial assets and current financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. At September 30, 2018, the Company was not affected by interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company is exposed to foreign currency risk with respect to its US subsidiary operations.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk. The Company's sensitivity analysis suggests that a 5% change in the absolute rate of exchange for US dollars would significantly affect its cash position at this time.

Capital risk management

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

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, reserves, and deficit. The availability of new capital will depend on many factors including positive stock market conditions, AAA Heidelberg Inc. receiving a MMPR license from Health Canada, the sale of the Company's e-cigarettes, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

OTHER RISKS AND UNCERTAINTIES

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.

ADDITIONAL SHARE INFORMATION

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

Taken into account to the 5 to 1 stock split, as at September 30, 2018, the Company had 308,307,540 common shares outstanding. The Company also had 23,184,000 warrants with an exercise price of $0.05- $0.08 and expiry date to March 10, 2019; 26,812,500 stock options with exercise prices ranging from $0.053 to $0.168 and expiring at various dates to September 10, 2020.

As at the date of this report, the Company had 340,834,315 common shares outstanding. The Company also had 18,521,000 warrants with an exercise price ranging from $0.05 to $0.40 and expiry date to August 2020; 26,812,500 stock options with exercise prices ranging from $0.053 to $0.168 and expiring at various dates to September 10, 2020.

SUBSEQUENT EVENTS

Subsequent to September 30 2018:

1) 4,663,000 warrants were exercised for a gross proceed of $255,580.
2) Per DOCC agreement, the Company issued the first tranche of 5,572,755 common shares.
3) The Company completed a 5 to 1 stock split.

ADDITIONAL INFORMATION

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