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

Management's Discussion and Analysis

For the Three Months Ended March 31, 2019

(Expressed in Canadian Dollars)

For the Three Months Ended March 31, 2019

INTRODUCTION

This Management's Discussion and Analysis ("**MD&A**") of the operating results and financial condition of AgraFlora Organics International Inc.(Formerly PUF Ventures Inc) ("**AGRA**" or the "**Company**") for the three months ended March 31, 2019 should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2019, which are prepared in accordance with International Financial Reporting Standards ("**IFRS**").

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

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

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

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

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 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 April 30, 2019 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

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Nutraceuticals Pty Ltd. (formerly PUF Ventures Australia PTY Ltd.) ("**Solaris**") , Natures Hemp Corp. ("**Natures Hemp**"), and Propagation Services Canada Inc ("**PSC**").

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. On November 14, 2018, the Company changed its name from PUF Ventures Inc. to Agraflora Organics International Inc. as well as completed a five-for-one stock split of the issued and outstanding shares. All references to number of shares and per share amounts in this MD&A have been retroactively restated to reflect this stock split. The Company's head office and registered and records office is located at Suite 804 - 750 West Pender Street, Vancouver, British Columbia, V6C 2T7.

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

The Company operates in the cannabis segment in Canada and Colombia.

Investment in AAA Heidelberg

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 22,937,500 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 5,437,500 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 2,500,000 common shares, with a fair value of $80,000 representing an additional 9.1% interest was completed. On May 7, 2017, the third tranche of 2,500,000 common shares, with a fair value of $200,001 representing an additional 9.1% interest was completed. The Company then had a 54.49% ownership interest in AAA-H and as of that date commenced consolidating AAA-H as it held 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. As a result of the transition to the consolidation method, the Company recorded a non-controlling interest of $1,000,226. On December 19, 2018, the Company acquired the remaining 45.51% interest in AAA-H by issuing 12,500,000 common shares with a fair value of $2,187,500. The Company now has 100% ownership interest in AAA-H. In addition, the Company issued a further 2,008,237 common shares with a fair value of $351,441 to settle outstanding debts in AAA-H (Note 14).

Prior to obtaining control in fiscal 2017, 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 in 2017	$ 200,001
Implied value of AAA-H	$ 2,197,815
Allocated to	

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For the Three Months Ended March 31, 2019

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 intangible asset of the Company increased during the year by $2,187,801 on the full acquisition of AAA-H from $3,240,416 to $5,427,917. At December 31, 2018 the Company conducted an impairment analysis of the cost-generating unit which included the intangible asset as well and the associated property, plant and equipment, and determined that the fair value of the cost-generating unit was $5,350,901. As a result, an impairment of $77,016 has been recorded.

The non-controlling interest of 45.51% in AAA-H was 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)
Balance, December 31, 2017, allocated to intangible asset	920,305
Non-controlling interest in loss of AAA-H to December 19, 2018	(79,136)
Non-controlling interest allocated to equity on acquisition of 100% interest	(841,169)
Balance, December 31, 2018	$ -

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 was accounted for as an equity interest. Under equity accounting, the Company's share of Solaris' loss for the year ended December 31, 2017 totaled $76,428.

During the year ended December 31, 2018, the Company advanced a further $158,038 and subsequent to these advances, the Company and Solaris mutually agreed to terminate the investment and the Company wrote off its investment resulting in a net loss of $339,406.

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

Investment In Cannvas

On May 12, 2015, the Company acquired 100% of Cannvas MedTech Inc. ("Cannvas"). The purchase price for the Cannvas shares was an aggregate of 8,750,000 common shares of the Company. Finders' units consisting of 875,000 common shares and 875,000 warrants were issued on closing. The entire value of the transaction was allocated to intellectual property on acquisition.

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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 September 7, 2017, as completed on January 16, 2018, the Company entered into a Plan of Arrangement ("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 were entitled to receive one share of Cannvas in exchange for every seven Company shares held as at the record date. Following completion of the Arrangement, (i) Cannvas held certain assets transferred to it by the Company, (ii) Cannvas became a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, and intends to apply for and meet the listing requirements on a Canadian Stock Exchange, (iii) each of the Company's shareholder will continue to be shareholders of the Company, and (iv) all of the Company's shareholders as at the record date became shareholders of Cannvas.

Upon completion of the Arrangement the Company recorded a loss of $129,662 on the transaction.

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 6,000,000 common shares with a fair value of $600,000 to the shareholders of Natures Hemp and realized a cost of acquisition of $544,282.

At December 31, 2017, the Company recorded the following:

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

On August 28, 2018, Natures Hemp was spun out of the Company 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, and following completion of the Arrangement, Natures Hemp held the assets transferred to it by Agraflora with a $NIL value, and Natures Hemp became a reporting issuer in the Provinces of British Columbia, Alberta and Ontario.

Upon completion of the Plan of Arrangement the Company recorded a loss of $310,437 on the transaction.

Investment In Propagation Services Canada Inc.

During the year ended December 31, 2018, the Company acquired a 40% interest in a joint venture called PSC, which has ownership of the Houwelings Delta Propagation Facility ("Facility"), consisting of 2,200,000 sq. feet of illuminated greenhouse space and 1,700,000 sq. feet of "ebb and flood" irrigation space.

The Company entered into an earn-in agreement with Delta Organics Cannabis Corp. ("DOCC") whereby DOCC can acquire an equity interest in the Company by committing $40 million for the furtherance of the Facility's lease obligations, construction expenses, and operational expenses. As consideration the Company will grant to DOCC the option to acquire up to 19.9% of the outstanding common shares of the Company and a 20% interest in PSC pursuant to the terms of the agreement. As at December 31, 2018, DOCC acquired 44,582,040 of the common shares of the Company for proceeds of $20,000,000.

To date the Company has invested $11,807,763 and recorded a loss on its equity investment of $134,865.

Management Changes

Subsequent to March 31, 2019, in May 2019, the Company announced that Brandon Boddy would replace Derek Ivany as Chairman director and CEO. In addition, in May 2019, the Company also appointed Brian O'Neill as a director of the Company.

Risk Factors Relating to AAA Heidelberg

As AAA Heidelberg was granted a license, the Company completed 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.

(Expressed in Canadian Dollars)

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Revenue ($)	Loss for the period ($)	Loss per Share (Basic & Diluted) ($)
March 31, 2017	-	(469,295)	(0.01)
June 30, 2017	-	(241,982)	(0.01)
September 30, 2017	-	(387,191)	(0.01)
December 31, 2017	-	(1,021,133)	(0.04)
March 31, 2018	-	(2,897,539)	(0.04)
June 30, 2018	-	(1,144,329)	(0.01)
September 30, 2018	-	(1,319,835)	(0.01)
December 31, 2018	-	(458,515)	(0.00)
March 31, 2019	-	(6,656,302)	(0.02)

RESULTS OF OPERATIONS

The Company's loss for the three months ended March 31, 2109 was $6,656,302 compared to a loss of $2,897,539 for the three months ended March 31, 2018. The significant changes in the current year were an increase in share-based compensation, a non-cash expense of $4,964,077 (2018 - $2,054,508) on the grating of stock options and issuances of shares for services. Investor communications also increased to $1,062,240 from $93,554 as the Company increased its advertising activity.

LIQUIDITY

The Company's cash on hand increased to $29,481,739 at December 31, 2018 from $10,718,888 at December 31, 2018.

The Company had working capital of $29,795,524 at December 31, 2018 compared to a working capital of $11,071,721 at December 31, 2018. The increase in working capital was due to investment from DOCC.

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 March 31, 2019 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.

(Expressed in Canadian Dollars)

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 three months ended March 31, 2019 and the year ended December 31, 2018:

Three months ended March 31, 2019	Consulting and Management Fees	Share-based compensation
Cherry Consulting Ltd	$ 21,555	$ -
Elben Capital Inc./ Derek Ivany/Equity Analytics Inc.	189,000	-
Clairewood Partners / David Parry	-	730,011
	$ 210,555	$ 730,011
Year ended December 31, 2018	**Consulting and Management Fees**	**Share-based compensation**
Christopher Hornung	$ -	$ 64,596
Cherry Consulting Ltd	35,100	-
Elben Capital Inc./ Derek Ivany/Equity Analytics Inc.	804,500	665,618
Clairewood Partners / David Parry	230,250	353,844
Jerry Habuda	-	64,596
Jason Springett	-	29,487
Joseph Perino	-	64,596
	$ 1,069,850	$ 1,242,737

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand. At March 31, 2019, $67,370 (December 31, 2018 - $31,841) is owing to related parties for unpaid fees.

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 December 31, 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 December 31, 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 as at November 19, 2018

Taken the Stock Split into account, as at March 31, 2019, the Company had 450,803,056 common shares outstanding, no warrants outstanding and 36,650,000 stock options outstanding with exercise prices ranging from $0.093 to $0.55 and expiring at various dates to October 31, 2023.

As at the date of this MD&A, the Company had 484,922,981 common shares outstanding, no warrants outstanding and 42,650,000 stock options outstanding with exercise prices ranging from $0.093 to $0.55 and expiring at various dates to May 21, 2024.

SUBSEQUENT EVENTS

Subsequent to March 31, 2019, the Company:

a) Issued 20,588,235 common shares pursuant to a share purchase agreement with PSC for a deemed price of $0.68 per share totaling $14,000,000.
b) Issued 10,000,000 common shares at a deemed price of $0.51 per share to key personnel, including related parties, who are assisting with PSC and the 2.2 million square foot greenhouse project located in Delta, British Columbia.
c) Issued 281,960 common shares at a deemed price of $0.71 per share pursuant to a supply agreement entered into with Vendure Genetics Labs Inc. dated December 26, 2018.
d) Issued 1,250,000 common shares as the first allotment to a consultant at a deemed price of $0.51 per share pursuant to a letter of intent (the "**LOI**"). As set out in the LOI, the Company agreed to issue a total aggregate of 5,000,000 common shares to the consultant with the remaining 3,750,000 common shares to be issued by December 25, 2019.
e) Granted 6,000,000 incentive stock options to directors, officers and consultants with an exercise price of $0.46 and a five-year term expiring on May 21, 2024.
f) Issued 2,000,000 common shares at a deemed price of $0.49 per share to a non-related party as a finder's fee in connection with the commercial rights and offtake agreement entered into with ICC International Cannabis Corp.

ADDITIONAL INFORMATION

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