

EARLY WARNING REPORT

FORM 62-103F1

REQUIRED DISCLOSURE UNDER THE EARLY WARNING REQUIREMENTS

1 Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

This report relates to the common shares (the “**Common Shares**”) of AgraFlora Organics International Inc. (the “**Company**”).

The Company’s head office is located at 804 – 750 West Pender Street, Vancouver, BC

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

The occurrence triggering the requirement to file this report was the acquisition of shares issued pursuant to an asset purchase and sale agreement

2 Identity of the Acquiror

2.1 State the name and address of the acquiror.

Organic Flower Investments Group Inc. (the “**Acquiror**”)
810 – 789 West Pender Street
Vancouver, BC V6C 1H2

2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

On June 6, 2019, the Company and the Acquiror entered into an asset purchase agreement (the “**Agreement**”), whereby the Company agreed to purchase the following assets (“**Assets**”) from the Acquiror (the “**Transaction**”):

- A 20% interest in the flagship 2,200,000 square foot Delta Greenhouse Complex;
- An exclusive trans-European distribution and GMP cannabis processing/finishing agreements comprised of 80,000 retail endpoints/pharmacies, spanning 16 countries; and,
- An array of domestic downstream/product formulation operations comprised of:
 - A Joint-Venture (“**JV**”) with one of North America’s largest manufacturer and distributor of chocolate and sugar confectionary products;
 - An exclusive partnership with a leading Toronto-based Brewhouse with planned output capacity of over 200,000 HL per annum, to formulate, manufacture and

distribute cannabinoid-infused beverages; o Canadian CBD cosmetics/topicals manufacturing company, equipped with a vertically integrated, farm-to-face model;

- 76 acres of un-zoned agricultural land with 1,000 feet of river frontage in New Brunswick, including 17,500 square feet of commercial-grade facilities and 12 separate structures;
- A Health Canada awarded cannabis research licence and an Industrial Hemp License;
- An exclusive North American contract manufacturing and distribution agreement with the world’s first professional sports team to introduce its own branded CBD-infused performance product line;
- A strategic procurement, warehousing, domestic/international product registration and regulatory representation capabilities;
- An exclusive cannabinoid-infused supply and distribution agreement with a premier Canadian Bottler;
- The sole Canadian manufacturer and distributor of an innovative beverage dispensing cap technology- equipped with a proprietary cannabinoid delivery mechanism; o Proprietary manufacturing process and formulation catalogue for a Nicorette-inspired medicinal cannabinoid product line;
- A Canadian exclusive rights to a catalogue of cannabinoid-infused product formulations;
- The exclusive rights to a portfolio of 57 registered trademarks in Canada for a diversified range of cannabis products and services; and
- A sub-licensing agreement exclusive to sub-license, market and distribute a patent-pending “THC overdose antidote.

The aggregate purchase price payable by the Company to the Acquiror for the Assets was 348,109,251 common shares (“**Common Shares**”) issued as fully paid and non-assessable.

Immediately prior to closing the Transaction, the Acquiror owned 44,582,040 Common Shares, through its wholly owned subsidiary 1180782 B.C. Ltd. d/b/a Delta Organic Cannabis (“**Delta Organic**”), representing 9.19% of the outstanding Common Shares of the Company on a non-diluted basis. Immediately following completion of the Transaction, the Acquiror and Delta Organic owned an aggregate of 392,691,291 Common Shares, representing approximately 46.41% of the outstanding Common Shares of the Company on a non-diluted basis.

2.3 State the names of any joint actors.

Not applicable.

3 Interest in Securities of the Reporting Issuer

- 3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file the report and the change in the acquiror's securityholding percentage in the class of securities.**

See section 2.2 above.

- 3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file the report.**

See section 2.2 above.

- 3.3 If the transaction involved a securities lending arrangement, state that fact.**

Not applicable.

- 3.4 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.**

See section 2.2 above.

- 3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which**

- (a) the acquiror, either alone or together with any joint actors, has ownership and control,**

See section 2.2 above.

- (b) the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and**

None.

- (c) the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.**

None.

- 3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.**

Not applicable.

- 3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under**

this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.

Not applicable.

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

- 3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.**

Not applicable.

4 Consideration Paid

- 4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.**

Approximately \$0.40 per Common Share, or \$139,243,700 in the aggregate.

- 4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.**

The Acquiror sold the Assets to the Company pursuant to the Agreement and received as consideration 348,109,251 common shares, for a purchase price of \$139,243,700 in the aggregate, or approximately \$0.40 per Common Share.

- 4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.**

N/A

5 Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;**
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;**

- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;
- (e) a material change in the present capitalization or dividend policy of the reporting issuer;
- (f) a material change in the reporting issuer's business or corporate structure;
- (g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;
- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;
- (j) a solicitation of proxies from securityholders;
- (k) an action similar to any of those enumerated above.

The Acquiror may acquire or dispose of securities of the Company in the future through the open market, as a dividend to shareholders or in private transactions or otherwise, on such terms and at such times as the Acquiror may deem advisable.

6 Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

See section 2.2 above.

7 Change in material fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

Not applicable.

8 Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Not applicable.

9 Certification

I, as the Acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

DATED as of the 12th day of July, 2019.

**ORGANIC FLOWER INVESTMENTS
GROUP INC.**

(signed) "Theo van der Linde"

Authorized Signatory