



AGRAFLORA ORGANICS INTERNATIONAL INC.

NEWS RELEASE

AgraFlora Organics Acquires German EU-GDP Medical Cannabis Distributor, Farmako GmbH, Vertically Integrating Into the EU Marketplace

Vancouver, British Columbia / October 25th, 2019 – AgraFlora Organics International Inc. (“AgraFlora” or the “Company”) (CSE: AGRA) (Frankfurt: PU31) (OTCPK: AGFAF), a growth oriented and diversified international cannabis company, is pleased to announce the Company has acquired 100 per-cent (100%) of the issued and outstanding shares of The Good Company GmbH (“The Good Company”). The Good Company is the parent company of German EU-GDP medical cannabis distributor, Farmako GmbH (“Farmako”).

Farmako is a leading European medical cannabis distributor, headquartered in Frankfurt, Germany, with affiliated companies in the United Kingdom (“UK”), Luxembourg and Denmark.

GERMANY

Farmako is equipped with the following German and European industry certifications and distribution licenses, affording the Company unparalleled access to Germany’s geometrical growing medical cannabis marketplace:

- Medical wholesale distribution license under German Medicines Act (“AMG”);
- Permit for Narcotic Drug Handling as per German Betäubungsmittelgesetz (“BtMG”); and,
- Certificate of EU-Good Distribution Practice (“EU-GDP”).

Farmako has realized revenues of over C\$2,326,000.00 throughout the 2019 fiscal year and has succeeded in capturing an eight per-cent (8%) market share of Germany’s burgeoning medical cannabis arena, boasting the highest capital efficiency and positive EBIT margins within the industry.

Farmako’s German distribution network extends over 19,800 pharmacies and comprises an aggregate patient population of over 100,000 unique individuals.

Germany’s medical cannabis laws were introduced in March 2017 and the country is poised to become one of the largest federally regulated medical cannabis markets in the world. The German patient population for medical cannabis is experiencing exponential growth, with over 100,000 patients now active; an increase from approximately 800 in 2017. According to market data from Insight Health, each eligible German patient is prescribed on average approximately 30 grams of medical cannabis per month; when extrapolated this equates to annual cannabis demand of 36 tons.

UNITED KINGDOM

Additionally, Farmako has been granted an authorization for the wholesale distribution of medicinal products, including medical cannabis, by the UK's Medicines and Healthcare products Regulatory Agency (the "MRHA"). Recent UK legislation allows for the prescription of cannabis from a medical specialist via a regular pharmacy model. Access to this high profile market, when coupled with broad National Health Service insurance coverage for medical cannabis to ensure patient outcomes, is a key strategic element of AgraFlora's global platform.

Within the UK, medical cannabis can prescribe by eligible physicians for five conditions as set out in the government's review:

- Multiple sclerosis (specifically pain or muscle spasticity)
- Chemotherapy-induced nausea;
- Severe treatment-resistant epilepsy in children;
- Chronic pain in adults; and,
- Appetite and weight loss associated with HIV/AIDS

Prohibition Partners estimates that there are as many as 3.6 million active cannabis users in the UK. AgraFlora and Farmako are committed to the expansion of a sophisticated, pan-European cannabis production and distribution network, which serves the needs of physicians and their patients.

AGRAFLOA AND FARMAKO

Sebastian Diemer, Co-Founder and Chief Executive Officer of The Good Company GmbH stated: "On behalf of the Farmako team, I express our sincerest elation to join the AgraFlora group of companies. In the eight short months since inception, we at Farmako have managed to capture material amounts of market share from peer group competitors such as Aurora, Canopy and CC Pharma (Aphria); successfully distributing 150,000 grams of medical cannabis into arguably the world's highest value patient population.

Reliable supply of premium cannabis flower from AgraFlora's 2.2 million square foot Delta Facility, coupled with a fully integrated European supply chain, Farmako is positioned to emerge as a true contender to Aurora, Canopy and CC Pharma within the German operating theatre. AgraFlora's Canadian cultivation facilities yield the finest cannabis products which will exceed the expectations of educated, sophisticated and quality-driven European consumers; providing us with the consistent supply of EU-GMP certified medical cannabis required to continue to seize mark share from our peers."

Outfitted with an experienced operations team, focused on deploying a patient-centric distribution strategy and optimized supply chain protocols, Farmako, together with AgraFlora is mandated with addressing priority medical conditions within the European medical cannabis theatre through the combination of:

- Patented delivery systems and technologies;
- Extensive consumer product goods ("CPG") and branded product market entrance experience;
- Global scientific expertise and a defendable IP portfolio; and,
- Comprehensive doctor detailing and educational campaigns.

AgraFlora will pursue the processing of EU-GMP compliant cannabis products from its flagship 2.2 million square foot Delta Greenhouse Complex (the "Delta Facility") for integration into Farmako's European distribution channels. EU-GMP certified cannabis products are eligible for import/export and sale in the European Union. European Good manufacturing practice ("EU-GMP") certification is an

internationally recognized system, mandated with ensuring all produced goods meet the highest consumer health and safety standard.

Planned German distribution of cannabis products produced at its Delta Facility, at a forecasted unit contribution of C\$0.80 per gram, affords AgraFlora the opportunity to achieve unparalleled retail margins due to its seed to sale vertical integration. Price sensitivity within the German pharmaceutical cannabis market is considerably lower than in traditional recreational markets due to broad insurance coverage, equating to median retail prices of approximately C\$20.00 per gram.

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

The Delta Facility is a state-of-the-art pressurized, semi-open Venlo greenhouse, which is widely considered to be one of the most technically advanced and environmentally friendly greenhouse operations in the world.

AgraFlora's internal forecasts indicate that upon receipt of its aforementioned standard cultivation licence from Health Canada, the company will become the fourth-largest licensed producer ("LP") in Canada by 2020 financed production metrics:

Figure 1.

Issuer	2020 Estimated Annual Capacity (in grams)	Current Market Capitalization
Aurora Cannabis	700,000,000	\$ 4,948,835,000
Canopy Growth Corp.	525,000,000	\$ 9,824,314,000
Aphria	255,000,000	\$ 1,691,011,000
AgraFlora & PSC	251,250,000 ¹	\$ 218,476,000
Tilray	225,000,000	\$1,974,244,000
Cronos Group	150,000,000	\$4,040,259,000
OrganiGram Holdings	113,000,000	\$730,919,000

AgraFlora plans to commence Phase 2 of the Delta Facility retrofit in December of 2019, which will include:

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

Bandon Boddy, Chairman and Chief Executive Officer of AgraFlora stated: "From the beginning, the market opportunity for medical cannabis in Germany has been an integral part of AgraFlora's global growth strategy. We have long prioritized Germany as one of the most exciting medical cannabis markets in the world given its progressive regulations; rapidly expanding patient population and insurance coverage for over 60 per cent of prescriptions- the acquisition Farmako confirms our thesis.

¹ Forecasted fully funded production metrics derived upon achievement of optimized production at AAA Heidelberg and the Delta Greenhouse Complex.

The combined AgraFlora - Farmako entity will be equipped with world-class upstream cultivation assets, as well as highly efficient European downstream capabilities that will act as a beachhead into the 700-million-person European marketplace, as well as crystallize a defendable advantage within the edibles, cannabinoid-infused beverage and product formulation market verticals. Farmako's first-mover advantage, coupled with their surgical execution and best-in-class operations within the German cannabis market, are further validated by this recent announcement.

Farmako's prestigious good distribution practice certification marks the highest standards of medical cannabis distribution in the world, permitting the bulk warehousing of medical cannabis on German soil, allowing for direct sales into an underserved marketplace. This acquisition solidifies AgraFlora as a global cannabis leader and further reinforces our vertically integrated mandate. "

The Company encourages current and prospective shareholders alike to download the Farmako corporate presentation by following the below stated URL:

<https://agraflora.com/download/28904/>

TERMS

Under the terms of the definitive agreement, AgraFlora will acquire 100 per-cent (100%) of all the issued and outstanding shares in the capital of Farmako in exchange for an aggregate of C\$11.5 million in common shares in the capital of the Company, based upon a fixed pricing benchmark. The payment shares issuable on the acquisition are subject to escrow provisions of over 18 months and one day. The closing of this acquisition is subject to customary terms and conditions. A finders fee is payable on this transaction.

About AgraFlora Organics International Inc.

AgraFlora Organics International Inc. is a growth oriented and diversified company focused on the international cannabis industry. It owns an indoor cultivation operation in London, ON and is a joint venture partner in Propagation Services Canada Inc. and its large-scale 2,200,000 sq. ft. greenhouse complex in Delta, BC. The Company is also retrofitting a 51,500-square-foot good manufacturing practice ("GMP") edibles manufacturing facility in Winnipeg, Manitoba. AgraFlora has a successful record of creating shareholder value and is actively pursuing other opportunities within the cannabis industry. For more information please visit: www.agraflora.com.

ON BEHALF OF THE BOARD OF DIRECTORS

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Except for statements of historic fact, this news release contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking statements including, but not limited to delays or uncertainties with regulatory approvals, including that of the CSE. There are uncertainties inherent in forward-looking information, including factors beyond the Company's control. There are no assurances that the business plans for AgraFlora Organics described in this news release will come into effect on the terms or time frame described herein. The Company undertakes no obligation to update forward-looking information if circumstances or management's estimates or opinions should change except as required by law. The reader is cautioned not to place undue reliance on forward-looking statements. Additional information identifying risks and uncertainties that could affect financial results is contained in the Company's filings with Canadian securities regulators, which are available at www.sedar.com.