



## **AGRAFLORA ORGANICS INTERNATIONAL INC.**

### **NEWS RELEASE**

#### **AgraFlora Organics' Cultivation and Manufacturing Infrastructure Well Equipped To Supply C\$1.5 Billion Canadian Adult-Use Market**

**Vancouver, British Columbia / October 28<sup>th</sup>, 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 provide comment regarding Statistics Canada’s August 2019 cannabis retail sales data (the “Sales Data”). The Sales Data reflects monthly retail sales for the Canadian adult-use market in each respective province.

Canadian adult-use cannabis stores reported record sales of C\$127.4 million in August, achieving month over month (“MoM”) growth on both an aggregate sales and a sales per day basis of 19 per-cent. When extrapolated, August’s record sales numbers equate to a 2019 annual run-run of approximately C\$1.5 billion.

Across Canada, licensed brick-and-mortar retail store locations experienced MoM growth of 14 per-cent in August and 18 per-cent in September respectively. As of October 28, 2019, it is estimated that there are 647 licensed and authorized cannabis retail stores across Canada.

With a robust portfolio of upstream and downstream cannabis assets, AgraFlora is well equipped to service Canada’s maturing cannabis flower marketplace, as well as the Country’s formalized cannabis 2.0 landscape; including the production and sale of edible cannabis, cannabis extracts and cannabis topicals.

To date, the Company has deployed over C\$115 million in associated plant, property and equipment (“PPE”) expenditures related to its cultivation, manufacturing and distribution assets. These accretive PPE expenditures have positioned AgraFlora to capture defendable market share within Canada’s growing domestic cannabis arena.

A summary of related expenditures to date associated with the company's upstream and downstream cannabis asset portfolio include:

- In excess of C\$30 million in plant, property and equipment expenditures (PPE) at its phase 1 Delta greenhouse complex retrofit in preparation for receipt of its standard cultivation licence from Health Canada
- Over C\$16 million in direct PPE expenditures at its Winnipeg edibles facility and 76-acre cannabis campus in Kent county, New Brunswick;
- Aggregate capital expenditures in excess of C\$20 million deployed on the company's Toronto, Ontario, Brewhouse;
- R&D expenditures of US\$30 million in connection with its patented, pharmaceutical grade and hermitically sealed cannabinoid delivery system; and,

- C\$10 million in capitalized assets in relation to its 57 distinct, high-value cannabis trademarks, associated goodwill, and branding and exclusive distribution rights in connection with the branding and exclusive distribution rights CBD-sports partner and transcontinental professional sports team, the Toronto Wolfpack RLFC.

Brandon Boddy, Chairman and Chief Executive Officer of AgraFlora stated: “The state of the Canadian domestic cannabis marketplace remains strong, with robust month over month sales figures and a growing authorized brick and mortar footprint. Due to astute engineering accomplishments, corporate planning and operational execution we have aggregated a diverse portfolio of upstream and downstream cannabis assets and associated infrastructure, which will act as a supply cornerstone into the next decade.

We remain optimistic that Health Canada’s anticipated cannabidiol regulations will classify CBD as a natural health product, enabling widespread proliferation across Canada and unlocking hidden value within AgraFlora’s cannabis value chain. As CBD continues its ubiquitous permutation of CPGs, AgraFlora remains well equipped to capitalize on a shifting regulatory environment, while capturing material market share of Canada’s adult-use arena.”

### **DELTA GREENHOUSE FACILITY**

AgraFlora’s Delta Greenhouse 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. The Company’s Delta Greenhouse Facility boasts the following industry-leading cultivation infrastructure:

- Fully integrated on-site natural-gas-powered power plant:
  - Providing ample heat and electricity, while repurposing carbon dioxide emissions to benefit the plants;
- Proprietary energy-efficient air exchange;
- Advanced climate and humidity control management infrastructure;
- Ebb-and-flow watering systems to enhance complete irrigation recapture and water treatment;
- 1.5-million-gallon hot water storage tank configured to store energy produced during the day, for redistribution during non-peak hours, thereby increasing operational efficiencies and reducing associated energy costs;
- Multistage supplemental lighting augmented by natural sunlight to foster optimized illumination equilibrium.

AgraFlora’s Phase 1 retrofit of its flagship Delta greenhouse complex comprises approximately 431,000 square feet of cultivation/processing expanse, including over 130,000 square feet of net flower canopy and is estimated to produce 15 million grams of premium cannabis annually. With the completion of the Phase 1 retrofit, the Company’s current annual projected output of dried flower is approximately 160,000 kilograms including 2020 forecasted production at its purpose built AAA Heidelberg craft cannabis cultivation facility. In addition, AgraFlora anticipates the successful recapture of over one million grams of premium cannabis trim to be manufactured into ancillary value-added cannabis products on an annualized basis.

Additionally, the Delta Greenhouse Complex is equipped with a full-spectrum industrial hemp licence (“IHL”) that permits following associated cultivation, propagation, nursery and product formulation/manufacturing capabilities:

- Premium hemp seedling propagation for peer IHL recipients:
  - Crystallizing a pathway toward consistent, near-term ancillary cash flows, while solidifying AgraFlora’s position as a first mover in cultivating superior starter plants for the burgeoning North American hemp industry;

- Proven build-to-order propagation model forecasted to produce 1.3 million small/high-density hemp transplants per 28- to 42-day seedling turn;
- Establishment of a dedicated hemp propagation nursery within existing greenhouse infrastructure;
- Streaming of high-CBD hemp cultivars to AgraFlora's downstream functional food, topicals and edibles manufacturing asset portfolio.

AgraFlora anticipates that once fully optimized, its planned industrial hemp operations will provide ample feedstock inputs for the company's unique portfolio of cannabinoid product formulation and downstream assets, affording the company the ability to capture material cash flows throughout each link of the cannabis value chain.

All planned hemp cultivation at the Company's Delta Greenhouse Facility will utilize existing greenhouse infrastructure that is not currently earmarked for propagation and/or cannabis business initiatives. As a result, AgraFlora's proposed hemp cultivation activities will not impact current propagation and eventual cannabis cultivation operations. Hemp cultivation will not interfere with the planned cannabis cultivation activities at the Delta Greenhouse Facility, nor will it reduce the cannabis cultivation design capacity of the Company's Delta Greenhouse Facility.

### **WINNIPEG EDIBLES FACILITY**

AgraFlora is in the process of constructing a 51,500 square foot GMP edibles manufacturing facility in Winnipeg, Manitoba (the "Winnipeg Edibles Facility"), which boasts 33,000 square feet of production area, as well as an 8,000 square foot pharmaceutical-grade research and development ("R&D") laboratory.

The Winnipeg Edibles Facility will be fully operational by the first quarter of 2020 and, once optimized, is forecasted to be capable of generating in excess of \$750 million in annual sales revenue. Projected revenues are derived from logical assumptions including the facility achieving full capacity and the equipment operating seven days per week, 20 hours per day with all product being sold to downstream distributors, with the sales price based on current comparable retail pricing in the United States.

The Winnipeg Edibles Facility will be operated by a roster of experienced chocolatiers and confectioners, as well as equipped with state-of-the-art manufacturing equipment capable of producing an assortment of both cannabinoid/terpene-infused products for medicinal, functional and adult use, including:

- Gourmet snacks, including cannabis-infused honey, maple syrup, sugar and fruit, and vegetable puree-based snacks;
- Gummies, hard candy, toffee, caramel and gum;
- Baked goods;
- Flavoured tinctures;
- Powdered drinks;
- CBD-infused pet products.

The Company anticipates the facility will be fully operational by the first quarter of 2020. Existing downstream capabilities will be buoyed by one of Canada's leading sales forces, affording AgraFlora the ability to secure immediate shelf space across all major retail channels.

### **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](http://www.agraflora.com).

ON BEHALF OF THE BOARD OF DIRECTORS

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