

**FORM 51-102F3
MATERIAL CHANGE REPORT**

Item 1: Name and Address of Reporting Issuer

AgraFlora Organics International Inc. (the “**Company**” or “**AgraFlora**”)
#804-750 West Pender Street
Vancouver, BC V6C 2T7

Item 2: Date of Material Change

December 2, 2019.

Item 3: News Release

A news release was issued and disseminated on December 5, 2019 and filed on SEDAR (www.sedar.com).

Item 4: Summary of Material Changes

The Company announced that it has entered into an interim agreement (the “**Agreement**”) to acquire 100 per-cent of the issued and outstanding shares of Sanna Health Corp. (“**Sanna**”).

The Company also announced that it has completed the final issuance of 1.25 million bonus shares (the “**Shares**”) pursuant to a letter of intent.

Item 5: Full Description of Material Change

The Company announced that has entered into the Agreement to acquire 100 per-cent of the issued and outstanding shares of Sanna. Sanna is a Canadian cannabis company based in the Greater Toronto Area (the “**GTA**”), which boasts the following licenses awarded under the Access to Cannabis for Medical Purposes Regulations (“**ACMPR**”):

- Standard Cultivation License;
- Standard Processing License; and,
- Medical Sales License.

LICENSED EXTRACTION

Sanna is headquartered in the GTA, only 30 minutes from downtown Toronto, affording the Company unbridled access to the largest addressable Canadian cannabis marketplace. Sanna’s flagship facility is situated on 16 acres and includes 27,000 square feet of Health Canada licensed cultivation and processing space. Coupled with an option to expand its current production area to 89,000 square feet, as well as ample commercial-industrial space for future expansion. Once Ontario’s anticipated regulatory changes take effect, expanding retail opportunities, Sanna will look to architect and operate an on-site dispensary, allowing the Company to capitalize on its prime proximity to the seven million population in the GTA and immediately surrounding areas.

With ethanol extraction equipment installed on-site and high-margin agreements being negotiated to process upwards of 1,000 kg of hemp biomass per month, Sanna is primed to realize sustainable, near term cash flows. The Company forecasts that once optimized, Sanna’s extraction facility will boast annual extraction capacity of 250,000 kilograms of dried cannabis and hemp biomass, much of which will be supplied by the Company’s 88-acre outdoor

cannabis grow located less than 90 minutes from its GTA headquarters, permitting streamlined logistics and reduced transportation costs.

Commencing in Q1 of 2020, Sanna will also finalize distillate supply contracts, currently in the final stages of negotiation. These supply contracts in conjunction with Sanna's industry-leading processing infrastructure will result in immediate high-margin revenues.

OUTDOOR CULTIVATION

Sanna owns an 88-acre late-stage Health Canada outdoor cultivation applicant. The Company plans to submit its affirmation of readiness and video evidence package for its initial 13-acre Zone One outdoor grow on or before March 1, 2020, in preparation for the 2020 outdoor cultivation season.

Located in Southwestern Ontario, Sanna's Zone One 13-acre outdoor grow is forecast to produce up to over 1,000 kg per acre of high-quality, low-cost cannabis flower, with a per gram unit contribution of less than \$0.10. Sanna's planned Zone Two outdoor grow expansion will add an additional 75 acres of cultivation expanse and once licenced is expected to yield over 75,000 kg of dried cannabis per harvest.

The Company will deploy proprietary varieties of auto-flower and photoperiod cannabis seeds on its 88-acre outdoor grow, thus optimizing production yields. Sanna will also leverage various cultivation and plant physiology concepts with the objective of enhancing plant performance. The Company's cultivation concepts have been developed over five years of Canadian commercial cultivation experience and include:

- Proprietary soil/nutrient monitoring and plant health monitoring solutions;
- Consistent delivery of ideal primary, secondary and micronutrients;
- Evaluation and comprehension of the rhizosphere and its effect on inputs and yield;
- Creation of crops that are more resistant to pests and disease; and,
- Manipulation of nutrient and substrate conditions to drive plant health and yield;

Once operational, and in receipt of Health Canada approval, the true value of the Company's outdoor grow will be realized via its ability to serve as a robust feedstock source for the multiple downstream value-added assets that are domiciled under the AgraFlora corporate banner. The successful implementation of full vertical integration will support increased efficiency across business channels and allow for maximum economic margin capture for the enterprise as AgraFlora continues to capitalize on the next phase of cannabis normalization.

Cash cost per gram to harvest includes all operating expenses such as labour, supplies, consumables, services and staff overhead. All-in cash cost per gram to harvest includes all operating expenses, along with capital costs including irrigation, security infrastructure, as well as the contemplated drying facility.

The Company's 2020 harvest will be dried and cured on-site at a dedicated drying building comprising approximately 5,000 square feet and featuring a 20-foot-high ceiling and a purpose-built climate control and dehumidification system to maximize throughput efficiency.

DISTRIBUTION

Sanna currently has memorandums of understanding (the "MoUs") in place with established cannabis retailers, Canna Cabana by High Tide Inc., as well as Delta 9 Cannabis Inc.

(“Delta9”). In aggregate, Canna Cabana and Delta9 will boast 45 licensed, high-traffic brick-and-mortar retail locations across Canada by Q1 2020.

The Company will also pursue formal supply agreements with said retailers, to be finalized throughout the first quarter of 2020, including annual minimum purchase conditions, as well as strategic marketing cooperation initiatives. Leveraging its medical sales license, Sanna anticipates the launch of its direct-to-patient ecommerce site during Q2 2020.

The Company will architect and construct a 1,500 square foot on-site dispensary at its licensed, 16-acre GTA location; capitalizing on the 7 million plus population within a 60-minute radius; one of the largest markets in North America. The GTA is Canada's largest metropolitan area, affording the company a lucrative opportunity to capture a significant market share in Canada's largest cannabis marketplace.

Sanna's planned on-site dispensary will also amplify the Company's vertically integrated mandate by coupling a high-traffic retail footprint and continuing brand presence with existing cultivation, processing and extraction capabilities,

LICENSED MEDICAL CANNABIS PRODUCTS

Sanna holds the exclusive Canadian license for the award winning MÜV portfolio of premium cannabis products developed and distributed by Florida-based AltMed Enterprises, LLC (“AltMed”). AltMed is a state-leading pharma-grade medical cannabis company, which reports substantial revenues and patient base in both Florida and Arizona, serving the states' combined populous of 28,000,000 inhabitants.

AltMed's continued success in key markets such as Florida and Arizona have resulted in the MÜV brand achieving readily identifiable status with Canadian seasonal inhabitants. AltMed's flagship markets include Florida, which appeals to Canadian east coast snowbirds, as well as Arizona, which is frequented by west coast based Canadian travelers. The Company is of the opinion that the success of its licensed MÜV product portfolio in jurisdictions frequented by Canadians will translate into instantaneous traction within the Canadian marketplace.

AltMed delivers pharmaceutical industry precision to the production and distribution of medical cannabis products under the MÜV™ brand. The MÜV brand is driven by research and development and has received national and international interest for its quality, consistency and safety. For detailed product information please go to [AltMed Florida](#).

Launched originally in Arizona, MÜV has received five best of Arizona awards for medical cannabis products including multiple first place prizes for its proprietary ethanol extractions.

Sanna will leverage its existing extraction processes and proprietary formulations licensed from AltMed to introduce MÜV branded products where permissible under Health Canada regulations. Mandated with producing standardized, dosable medical cannabis solutions through various delivery platforms, Sanna is targeting common indications such as poor sleep, pain, inflammation, anxiety and focus. Sanna has developed a unique line of branded product formulations, to be administered by way of various form factors such as capsules, transdermal patches, topicals and metered dose inhalers.

The acquisition of Sanna is accretive for AgraFlora across multiple verticals; processing, low cost production and pharma-grade cannabinoid advancements. Sanna will serve as our East Coast processing and low-cost cultivation hub, allowing us to achieve high-margin business often associated with cannabis concentrates and oils, in an expedited manner.

Sanna's low-cost production across 88-acres will only strengthen our core business model of growing, producing, selling and exporting high-quality, value-added cannabis health and

wellness products globally, while affording us a foothold in Canada's most prominent cannabis markets- Ontario and British Columbia.”

TERMS

Under the terms of the Agreement, AgraFlora will pursue the acquisition of 100 per-cent of all the issued and outstanding shares in the capital of Sanna in exchange for an aggregate of \$23 million in common shares in the capital of the Company, based upon a fixed pricing benchmark of \$0.30 per share. The payment shares issuable on the acquisition are subject to escrow provisions over 18 months and one day. The closing of this acquisition is subject to customary terms and conditions. A finder's fee is payable on this transaction, subject to applicable securities laws.

Additionally, the Company announced that, further to the Company's news release dated April 29, 2019, it has proceeded with the final issuance of 1.25 million Shares at a price of \$0.175 per Share to Cornelius Houwelings pursuant to a letter of intent dated May 22, 2018.

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 Service Canada 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 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.

Item 6: Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7: Omitted Information

Not applicable.

Item 8: Executive Officer

For additional information:

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Item 9: Date of Report

December 5, 2019.