

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

January 3, 2020.

Item 3: News Release

A news release was issued and disseminated on January 3, 2020 and filed on SEDAR (www.sedar.com).

Item 4: Summary of Material Changes

The Company announced that it has closed its previously announced acquisition of 100 per-cent of the issued and outstanding shares of The Good Company GmbH (“**The Good Company**”). The Good Company is the parent company of German European Union good distribution practice medical cannabis distributor (“**EU-GDP**”), Farmako GmbH (“**Farmako**”).

Item 5: Full Description of Material Change

The Company announced that it has closed its previously announced acquisition of 100 per-cent of the issued and outstanding shares of The Good Company. The Good Company is the parent company of German EU-GDP, Farmako.

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

GERMANY

Equipped with the following German and European industry certifications and distribution licences, Farmako boasts unparalleled access to Germany’s geometrical growing medical cannabis marketplace:

- Medical wholesale distribution licence under German Medicines Act (“**AMG**”);
- Permit for narcotic drug handling as per German Betaubungsmittelgesetz (“**BtMG**”); and,
- Certificate of EU-GDP.

Farmako realized revenues of over \$2,750,000 throughout the 2019 fiscal year and has succeeded in capturing an 8-per-cent market share of Germany’s burgeoning medical cannabis arena, while maintaining the highest capital efficiency and positive EBIT margins within the industry.

Farmako’s German distribution network extends over circa 20,000 pharmacies and comprises an aggregate patient population of over 100,000 unique individuals.

Germany, Europe’s largest economy and the most populous European Union (the “**EU**”) member state, introduced revised medical cannabis legislation in March 2017, affording the country’s geometrically growing patient population access to an alternative form of therapy. 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. Prohibition Partners has forecasted that Germany will eclipse one million eligible medical cannabis patients by 2024.¹

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 annualized cannabis demand of 36 tons.

¹ Published by the data and intelligence firm Prohibition Partners, the Germany Cannabis Report.

Germany represents one of the ultimate global potentials for medical cannabis, due to:

- Estimated 420 billion euros in annual health care expenditures;
- 8.8 million grams of total medicinal cannabis allowance in 2019;
- Median retail prices of between 20 euros and 25 euros per gram of medical cannabis flower;
- Largest consumer base for cannabis among all EU nations;
- Forecasted cannabis market size of 7.7 billion euros by 2028²; and,
- Full reimbursement of 60 per cent of all medical/pharmaceutical cannabis prescriptions.

Germany is presently the largest medicinal cannabis market in Europe and can be divided into two principal submarkets:

1. Pharmaceutical cannabis market: representing cannabis-based pharmaceutical drugs, including Sativex, Dronabinol and Nabilone;
2. Medical cannabis market: representing plant-based and plant-derived cannabis products (though Germany's cannabis programs are still being developed, they are projected to be among the most robust in Europe).

Under current medical cannabis legislation, German public health insurers, which cover 90 per cent of the population, are mandated to provide coverage for up to 140 grams of eligible cannabis medications per month; making Germany one of the most potentially valuable markets in Europe. Medical cannabis can be sold only through registered pharmacies, of which there are about 20,000 in Germany.

UNITED KINGDOM

AgraFlora's United Kingdom (the “UK”) subsidiary, Farmako Ltd., has completed its UK Home Office inspection for the purpose of obtaining a controlled drug licence.

Farmako Ltd. has already been granted certification for its compliance with good distribution practice (“GDP”) and received an authorization for the wholesale distribution of medicinal products, including medical cannabis, in summer 2019, after completing a successful inspection by the UK's Medicines and Healthcare Products Regulatory Agency (“MRHA”) earlier this year.

The UK medicinal cannabis market value is forecast to reach almost US\$1.3-billion by 2024. Prohibition Partners has also estimated that up to 1 per-cent of the UK population could qualify as medical cannabis patients by 2028.³

Upon receipt of a controlled drug licence from the U.K. Home Office, after the recent inspection, Farmako Ltd. will be fully licensed to pursue pharmaceutical/medical cannabis trading within the U.K. operating theatre. Initially, Farmako Ltd. will pursue the import of Bedrocan products from the Netherlands to the U.K. for end-patient distribution.

Additionally, Farmako Ltd. reports it is in advanced contract discussions with an external U.K.-domiciled pharmaceutical logistics firm, which will function as the company's secured U.K. warehousing and shipping hub. Recent UK legislation allows for the prescription of cannabis from medical specialists through a regular pharmacy model. Access to this high-profile market, when coupled with broad National Health Service (“NHS”) insurance coverage for medical cannabis to ensure better patient outcomes, is a key strategic element of AgraFlora's global platform.

Within the UK, medical/pharmaceutical cannabis can be prescribed 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.

² Published by the data and intelligence firm Prohibition Partners, the Germany Cannabis Report.

³ Published by the data and intelligence firm Prohibition Partners, the United Kingdom Cannabis Report.

Prohibition Partners estimates that there are as many as 3.6 million active cannabis users in the UK.⁴ 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.

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.

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

January 3, 2020.

⁴ Published by the data and intelligence firm Prohibition Partners, the United Kingdom Cannabis Report.