



AGRAFLORA ORGANICS INTERNATIONAL INC.

NEWS RELEASE

AgraFlora Organics to Acquire Curated Portfolio of Elite Live-Plant Cannabis Genetics

Vancouver, British Columbia / February 28th, 2020 – 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 that one of its subsidiaries, Propagation Services Canada Inc. (“PSC”), has entered into an agreement to acquire a curated portfolio of elite live-plant cannabis genetics (the “Live-Plant Genetics”) that will accelerate the Company’s plans to disrupt the Canadian cannabis market. The Live-Plant Genetics will be acquired from an award-winning Canadian cannabis cultivator (the “Vendor”) with extensive experience in genetic development and commercialization for at-scale cannabis production.

The curated portfolio of Live-Plant Genetics has been assembled, selected and refined by the Vendor over the past 24-months to meet the needs of large-scale commercial cannabis production. The Live-Plant Genetics have been tailored to work with PCS’s infrastructure and cultivation program to optimize three primary commercial characteristics: cannabinoid and terpene content, plant yield and crops per year. These elements are intended to be the cornerstone of the PSC brand for cannabis products: the highest potency at the lowest cost.

By acquiring Live-Plant Genetics, the Company will expedite its go-to-market timeline and strategy. Live-Plant Genetics can be put immediately into production whereas seed-based genetics require at least one preliminary selection crop cycle which can take up to six months to complete. This transaction will provide PSC with award-winning genetics that are focused on high-potency, strong flavours and desirable terpene content, all while preserving strong agricultural characteristics such as yield and flowering time. Securing these Live-Plant Genetics is an important element of the Company’s plans to position PSC, once licensed, to disrupt the Canadian dried flower market. Dried flower represents the largest channel of focused revenue in the Canadian cannabis industry. According to recent market data aggregated by Health Canada, dried cannabis flower sales comprised 92 per-cent of total sales during the relevant period.¹

PSC’s investment in elite Live-Plant Genetics is expected to generate a positive impact on the three key drivers of profitability for a cultivator: improved sales prices, greater per-plant yields and shorter flowering time. Management believes the Canadian market has suffered from a lack of strong genetics resulting in low THC values, undesirable flavour profiles, and a lack of product differentiation. These Live-Plant Genetics will allow PSC to cultivate more desirable varieties with a focus on high-THC content.

The Live-Plant Genetics are expected to contribute to meeting or exceeding PSC’s expectations for annual financial productivity per square foot, because the selections were made to maximize per-plant yield and crop cycles per year in addition to maximizing THC concentration per gram.

¹ <https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/research-data/market.html>

“Having the right genetics are a must-have in the vegetable business, and choosing the right genetics means life or death for a cultivator. We believe cannabis is no different. We are used to working with genetics that have been specifically curated and selected for our cultivation strategy and with this deal we now have that level of confidence in our cannabis genetics.” said Ruben Houweling, General Manager of Houweling Nurseries. “We are excited to begin cultivating the Live-Plant Genetics quickly upon receipt of our Cultivation License and will be able to bring our cannabis products to market faster by avoiding the need for a complicated and time-consuming seed selection process. I am confident that the combination of these Live-Plant Genetics with the quality of the team and greenhouse we are developing in Delta, BC will position PSC to be a leading brand with a goal of producing the highest-potency THC cannabis at the lowest-cost.”

PSC’s success as a licensed cannabis entity will require strength in three elements: cultivation, post-harvest processing and genetics. These three elements, when taken together, are the key drivers of unit revenue and pricing, demand and volume, and unit cost. The PSC team’s multi-generational experience, as well as the unique characteristics of the existing location in Delta, BC affords the Company a strong platform for cultivation and positions it well to produce high potency cannabis at a low cost. Delta, BC enjoys strong levels of sunlight throughout the year, temperate weather and low humidity. These factors reduce the capital and operational expense incurred by many cultivators with respect to environmental controls, HVAC and increased levels of artificial lighting.

The Company has been working with the PSC team, key consultants and experienced industry advisors to develop an efficient post-harvest processing facility and associated workflow, with the objective of allowing PSC to cultivate, dry, trim and package cannabis in a way that will preserve potency and bud quality while maintaining a strong focus on cost control. Genetics determine key economic elements such as yield, harvests per year, and cannabinoid potency. In the current market environment, management believes delivering consistently high cannabinoid potencies at a reasonable cost to the customer will be disruptive to the flower segment nation-wide. Genetics further define the consumer qualities such as aroma, flavour and bud structure. Management believes that the Canadian cannabis cultivation industry is ripe for disruption by PSC through its focus on producing high-potency cannabis that possesses certain key consumer elements such as pleasing aromas and smooth flavour.

“Our goal with PSC is to position the company and the brand to focus on an underserved market: customers seeking enjoyable cannabis flower that combines high potency with low pricing,” said John Fowler, Principal of Blaise Ventures, a full service consulting firm engaged by the Company to support the execution of its strategic priorities to license, operationalize and solidify a path to profitability. John is the former CEO and President of the Supreme Cannabis Company, Inc. (TSX: FIRE) from 2014 to 2019. “I have been continually impressed by the quality of the PSC’s agricultural and operational team, and I believe over time Delta, British Columbia will emerge as Canada’s low-cost cannabis cultivation cluster. With our focus on higher potency achieved through the elite Live-Plant Genetics, I believe PSC will be positioned for strong financial performance focused on contribution per gram and return on assets.”

To facilitate the transaction, PSC will utilize certain provisions of the *Cannabis Act* and *Cannabis Regulations* which allow a newly licensed company to acquire and possess live-plant cannabis starting materials from existing legally registered personal producers of medical cannabis. By pursuing the transaction of elite Live-Plant Genetics as compared to acquiring seeds, PSC will avoid the requirement to pursue a seed selection program, which can take many months and has no guarantee of producing commercially viable genetics due to the variability present in cannabis seeds.

About Propagation Services Canada Inc.

Propagation Services Canada Inc. (“PSC”) is a company co-owned by AgraFlora and the Houwelings Group, one of North America’s leading producers and innovators in the greenhouse vegetable production

industry. For three generations, Houwelings has been championing innovation in North American vegetable production, holding multiple patents and developing large-scale commercial greenhouses in British Columbia, California and Utah. The Howelings Group was the first in the USA to utilize combined heat and power co-generation, and the first to develop a proprietary sealed growing technology. PSC will operate an automated greenhouse facility with an expandable footprint of up to 2,200,000 sq. ft. PSC is expected to commence cannabis operations in 2020 with a focus on producing high-potency cannabis at the lowest possible cost to drive margin growth and profitability.

About AgraFlora Organics International Inc.

AgraFlora Organics International Inc. is a leading cannabis company building shareholder value through the development of revenue generating operating assets in the global cannabis industry. AgraFlora is focused primarily on the Canadian cannabis industry; the world's most advanced and regulated legal cannabis market. Flagship Canadian assets include: Edibles & Infusions, a fully automated manufacturing facility in Winnipeg, MB for white-label and consumer branded edible production; an interest in PSC, who will be operating a large-scale commercial greenhouse in Delta, BC focused on reshaping the Canadian flower market with high-potency, low cost cannabis flower, and AAA Heidelberg, a craft focused cannabis producer in London, ON. In addition, AgraFlora's wholly owned subsidiary Farmako GmbH is scaling towards its goal of being Europe's leading distributor of medical cannabis. Farmako currently has active distribution operations in Germany and expects to commence active operations in the United Kingdom in 2020. For more information please visit: <https://agraflora.com/>.

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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.