



AGRAFLORA ORGANICS INTERNATIONAL INC.

NEWS RELEASE

AgraFlora Organics Closes Acquisition of Sanna Health

Vancouver, British Columbia / March 13, 2020 – AgraFlora Organics International Inc. (“AgraFlora” or the “Company”) (CSE: AGRA) (Frankfurt: PU31) (OTCPK: AGFAF) is pleased to report that it has closed the acquisition of Sanna Health Corp. (“Sanna”), originally announced on December 5, 2019. Sanna is a Canadian cannabis company based in the Greater Toronto Area (GTA) which holds a standard cultivation, standard processing, and medical sales licences awarded under the *Cannabis Act*.

ABOUT SANNA HEALTH

EXTRACTION

Sanna is headquartered in the GTA, only 30 minutes from downtown Toronto, affording the Company access to Canada’s largest 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. Sanna holds an option to expand its current production area to 89,000 square feet, as well as ample commercial-industrial space for future expansion.

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 and upon receipt of the required licence amendment, 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.

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 immediately following closing of the share exchange, 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 in place with established cannabis retailers, including Canna Cabana by High Tide Inc., and Delta 9 Cannabis. 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.

Pursuant to the terms of a definitive share exchange agreement (the "**Agreement**") among the Company, Sanna, and Sanna's shareholders, the Company acquired all of the issued and outstanding shares in Sanna in exchange for the issuance of 76,666,666 common shares of the Company (the "**AGRA Shares**") at a deemed price of \$0.30 for total aggregate consideration of \$23,000,000. The Agreement further provides that the Sanna shareholders (each, a "**Restricted Person**") receiving the AGRA Shares will be subject to a staged 18 month lock up, whereby one-third of the Restricted Person's AGRA Shares will become free trading 6 months following closing, one-third will become free trading 12 months following closing, and the final one-third will become free trading at the earlier of 18 months following closing and the date on

which Sanna receives (by way of its wholly owned subsidiary) a cultivation licence, as issued under the *Cannabis Act*, in relation to its proposed cultivation facility located in Binbrook, Ontario.

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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Forward-looking Information Cautionary Statement

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.