

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

Item 1: Name and Address of Reporting Issuer

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

Item 2: Date of Material Change

February 28, 2020.

Item 3: News Release

A news release was issued and disseminated on February 28, 2020 and filed on SEDAR (www.sedar.com).

Item 4: Summary of Material Changes

The Company announced 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.

Item 5: Full Description of Material Change

The Company announced that PSC has entered into an agreement to acquire 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 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.

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

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.

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.

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.

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

March 16, 2020.