

Form 51-102F3
MATERIAL CHANGE REPORT

Item 1. Name and Address of Reporting Issuer

AgraFlora Organics International Inc.(the “Company”)
Suite 810 - 789 West Pender Street
Vancouver, BC V6C 1H2

Item 2. Date of Material Change

February 11, 2021

Item 3. News Release

A news release was disseminated on February 11, 2021 through Globenewswire and subsequently filed on SEDAR.

Item 4. Summary of Material Changes

The Company announced that its subsidiary, SUHM Investments Inc. (“**SUHM**”) has completed a non-brokered private placement (the “**Offering**”) of 3,270,000 common shares of SUHM (“**Common Shares**”) at a price of \$0.50 per Common Share for gross proceeds of \$1,635,000.

The Company further announced that it has entered into a third amending agreement (the “**Amending Agreement**”) with Mulberry Capital Inc.

The Company announces that its Board of Directors has approved the settlement of services rendered through the issuance of 1,120,422 common shares of the Company.

The Company has entered into an agreement with holders of the Company’s 10.00% Senior Unsecured Convertible Debentures originally due March 12, 2021 to amend the terms of the debentures.

The Company issued 49,667,785 common shares to 10026310 Manitoba Ltd. pursuant to the JV Agreement entered into among SUHM, Quality Confections Canada Ltd., the Edibles and Infusions Corporation, and the Manager.

The Company additionally announced that it has entered into a settlement agreement (the “**Settlement**”) with Unicorn Asset Management GmbH, Sivota Holding GmbH, HB Capital GmbH, Tiger Soft Pharma UF (collectively, the “**Sellers**”).

Item 5. Full Description of Material Change

Please see attached news release dated February 11, 2021 for a full description of the material change.

Item 6. Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7. Omitted Information

Not applicable.

Item 8. Executive Officer

For further information, please contact:

Peter Nguyen
Chief Financial Officer
Telephone: 604-687-2038

Item 9. Date of Report

February 24, 2021



AGRAFLORA ORGANICS INTERNATIONAL INC.

NEWS RELEASE

AgraFlora Organics Announces Non-Brokered Private Placement and Amendment of SUHM Purchase Agreement , Amendments on Convertible Debentures, Debenture Interest Payments and Debt Settlement Transactions

Vancouver British Columbia / February 11, 2021 – AgraFlora Organics International Inc. (“AgraFlora” or the “Company”) (CSE: AGRA) (Frankfurt: PU31) (OTCPK: AGFAF) is pleased to announce that its subsidiary, SUHM Investments Inc. (“SUHM”) has completed a non-brokered private placement (the “Offering”) of 3,270,000 common shares of SUHM (“Common Shares”) at a price of \$0.50 per Common Share for gross proceeds of \$1,635,000.

The securities issued pursuant to the Offering are subject to a hold period of four months and a day from the later of the date of issuance of the Common Shares and the date that SUHM becomes a reporting issuer under the applicable securities laws. The proceeds of the Offering are planned to be used by The Edibles and Infusions Corp. for general ongoing working capital and corporate purposes.

The Company further announced that it has entered into a third amending agreement (the “**Amending Agreement**”) with Mulberry Capital Inc. (“**Mulberry**”) amending the previously amended terms of a share purchase agreement (the “**Share Purchase Agreement**”) dated April 25, 2019, between Mulberry and Organic Flower Investment Group Inc. (“**Organic**”). Pursuant to the Share Purchase Agreement, Organic agreed to acquire all of the issued and outstanding shares of SUHM from Mulberry and agreed to assume all obligations of Mulberry with respect to the funding of the construction and the purchasing of equipment required to operate the Edibles Facility in accordance with a joint venture agreement (the “**JV Agreement**”) between SUHM and Quality Confections Canada Ltd. On June 7, 2019, the Company acquired all of the interest of Organic in the JV Agreement and assumed all of Organic’s obligations pursuant to the Share Purchase Agreement and JV Agreement.

Pursuant to the Amending Agreement, the remaining unpaid portion of the purchase price owing to Mulberry under the Share Purchase Agreement, being an aggregate maximum amount of \$27,500,000, shall be forgone by Mulberry in consideration for the following:

- Agra reconveying a 26.25% ownership interest in SUHM, such ownership percentage shall be non-dilutable to Mulberry until \$7,000,000 in debt or equity has been advanced to fund the Edibles and Infusions facility in Winnipeg, Manitoba; and
- Agra issuing 10% of the issued and outstanding shares of Agra to Mulberry on the date that is the later of it issuing shares pursuant to the JV Agreement and February 8th, 2021.

Following the completion of the Offering and payment of the consideration under the Amending Agreement, AgraFlora would own approximately 49.75% of the joint venture comprising the Winnipeg facilities.

Debt Settlement

The Company announces that its Board of Directors has approved the settlement of services rendered through the issuance of common shares of the Company (the "**Debt Settlement**"). Pursuant to the Debt Settlement, the Company issued an aggregate of 1,120,422 common shares of the Company at a deemed price of \$0.05 per share to certain creditors of the Company (the "**Creditors**").

All securities issued will be subject to a statutory hold period which will expire on the date that is four months and one day from the date of issuance.

Debenture Amendment

The Company is also pleased to announce that it has entered into an agreement with holders of the Company's 10.00% Senior Unsecured Convertible Debentures originally due March 12, 2021 to amend the terms of the debentures (the "**Amended Debentures**"). The maturity date for the Amended Debentures will be extended for an additional twelve months to March 12, 2022 in consideration for the conversion price of the Amended Debentures being reduced to \$0.05. Additionally, the Amended Debentures shall pay interest at the rate of twenty percent (20.00%) per annum for the period commencing as of July 1, 2020 and ending as of December 31, 2020. For all periods subsequent to December 31, 2020, the Debentures shall pay interest at the rate of ten percent (10.00%) per annum, calculated and payable semi-annually.

The Company has satisfied the aggregate interest payment of \$2,700,000 (the "**Accrued Interest**") owing on December 31, 2020 pursuant to the Amended Debentures by the issuance of 54,000,000 common shares in the capital of the Company on a pro rata basis to the holders of the Amended Debentures.

Payment on EIC Joint Venture

The Company also announced that it has issued 49,667,785 common shares to 10026310 Manitoba Ltd. (the "**Manager**") pursuant to the JV Agreement entered into among SUHM, Quality Confections Canada Ltd., the Edibles and Infusions Corporation, and the Manager (the "**Joint Venture**").

All securities issued in connection with the JV Agreement will be subject to a statutory hold period which will expire on the date that is four months and one day from the date of issuance.

Farmako Settlement

The Company additionally announced that it has entered into a settlement agreement (the "**Settlement**") with Unicorn Asset Management GmbH, Sivota Holding GmbH, HB Capital GmbH, Tiger Soft Pharma UF (collectively, the "**Sellers**") amending the terms of the previously signed share purchase agreement (the "**Purchase Agreement**") among the Company and the Sellers. The Purchase Agreement provided for the purchase and sale of all of the issued and outstanding shares of The Good Company GmbH, the parent company of German EU-GDP medical cannabis distributor, Farmako GmbH ("**Farmako**"), from the Sellers in consideration for (i) a cash consideration of \$1,000,000, (ii) the issuance of an aggregate of 47,916,667 common shares (the "**Consideration Shares**"), and (iii) repayment of certain shareholder loans.

Pursuant to the Purchase Agreement, the Consideration Shares are subject to an 18-month lockup period whereby one-third of the Consideration Shares are to be released 6, 12, and 18 months from the closing date, with the final third of the Consideration Shares (the "**Third Lock-Up Shares**") being scheduled for release on May 6, 2021 (the "**Third Lock-Up Period**"). Moreover, the Company is obliged to issue additional common shares (the "**Additional Shares**") at the end of the Third Lock-Up Period where the price of the shares on the CSE is below the share price contemplated in the Purchase Agreement, as well as for the achievement of certain milestones (the "**Earn-Out Shares**").

Accordingly, the Settlement provides that in consideration for the waiver by the Sellers of their entitlement to Additional Shares and Earn-out Shares, Agra shall: (i) release the Third Lock-up Shares with immediate effect; and (ii) issue 20,000,000 common shares of the Company. Once completed, the Company shall have entirely fulfilled its obligations with regard to share issuances under the Purchase Agreement.

All securities issued in connection with the JV Agreement will be subject to a statutory hold period which will expire on the date that is four months and one day from the date of issuance.

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; Propagation Services Canada, 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/>.

About Edibles and Infusions Corporation

Edibles and Infusions Corporation is a joint venture formed between AgraFlora and one of North America's leading confectionary manufacturing families. The Joint Venture partner is one of Canada's oldest confectionary companies with over 100 years of active operations, and currently supplies confectionary and candy to over 20,000 locations throughout North America. Edibles and Infusions is constructing a purpose built, highly automated facility located in Winnipeg, MB. The facility employs state-of-the-art manufacturing equipment to produce pharmaceutical-grade quality cannabis edibles with a precise level of consistency for improved dosing accuracy, consistent consumer experiences and increased consumer safety. Edibles and Infusions is one of a small group of Canadian companies to successfully obtain a Research and Development License from Health Canada for edibles formulation testing and expects to commence fully-licensed manufacturing operations in 2021

ON BEHALF OF THE BOARD OF DIRECTORS

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The CSE and Information Service Provider have not reviewed and does not accept responsibility for the accuracy or adequacy of this release.

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.