

## FORM 7

### **MONTHLY PROGRESS REPORT**

Name of Listed Issuer: [AgraFlora Organics International Inc.](#) (the "Issuer" or the "Company" or "AgraFlora").

Trading Symbol: [AGRA](#)

Number of Outstanding Listed Securities: [1,782,596,180 as at February 28, 2021](#)

Date: [March 4, 2021](#)

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

#### **General Instructions**

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

#### **Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

[.The Issuer confirms that the impact of COVID-19 on its business and operations has been minimal. The Issuer is continuing to move forward with obtaining its license to cultivate cannabis from Health Canada and is continuing with building](#)

out the Issuer's 2.2 million square foot Delta Greenhouse Facility (the "Delta Facility")

2. Provide a general overview and discussion of the activities of management.

During the month of **February 2021**, the Issuer:

- Announced that its subsidiary, SUHM Investments Inc. has completed a non-brokered private placement of 3.27 million common shares of SUHM at a price of \$0.50 per common share for gross proceeds of \$1,635,000.
- Entered into a third amending agreement with Mulberry Capital Inc., amending the previously amended terms of a share purchase agreement dated April 25, 2019, between mulberry and Organic flower investment Group Inc.
- Settled services rendered through the issuance of 1,210,422 common shares of the Company at a deemed price of \$0.05 to certain creditors of the Company.
- Entered into an agreement with holders of the Company's 10% senior unsecured convertible debentures originally due March 12, 2021, to amend the terms of the debentures. The company satisfied the aggregate interest payment of \$2.7 million owing on December 31, 2020, pursuant to the amended debentures by the issuance of 54,000,000 common shares.
- Issued 49,667,785 common shares to 10026310 Manitoba Ltd. pursuant to a JV agreement entered into among SUHM, Quality Confections Canada, Edibles and Infusions, and the manager.
- Entered into a settlement agreement with Unicorn Asset Management GmbH, Sivota Holding GmbH, HB Capital GmbH and Tiger Soft Pharma UF (sellers), amending the terms of the previously signed share purchase agreement among the company and the sellers, which, among other things, included the issuance of an aggregate of 47,916,667.
- Provided further detail regarding initial sales and revenue for its cannabis production facility, Propagation Services Canada Inc., the Company's flagship cultivation asset located in Delta, BC, as reported by Propagation Services Canada Inc.
- Issued 1,420,018 common shares of the Company at a deemed price of \$0.05 per share to settle \$71,000.92 with certain creditors.
- Tended to general management and administrative matters.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or

production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

Not applicable for the month of **February 2021**.

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

Not applicable for the month of **February 2021**.

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

Not applicable for the month of **February 2021**.

Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

Not applicable for the month of **February 2021**.

6. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

Not applicable for the month of **February 2021**.

7. Describe the acquisition of new customers or loss of customers.

Not applicable for the month of **February 2021**.

8. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

On **February 23, 2021**, Propagation Services Canada reported that the Issuer provided further detail regarding initial sales and revenue for its cannabis production facility, Propagation Services Canada Inc., the company's flagship cultivation asset located in Delta, B.C.

Propagation Services Canada continues its momentum toward its first commercial sales and is expected to report initial revenue summer, 2021. The first commercial crop for commercial sale will include three proprietary strains: Mimosa 37, Kosher Kush and Gelato. These strains have been selected for their strong demand in Canada's dried flower market, as well as their growing

attributes within the greenhouse environment which align with their low-cost high-THC cannabis attributes. PSC has gathered valuable data from crops grown to date and continues to develop and strategize to further aid in its positioning as a leader in low-cost product.

PSC will be optimizing its propagation operations by fine-tuning its climate strategy to produce healthy, rooted cuttings more quickly with high-success-rate monitoring irrigation mixtures to produce custom nutrient formulations for each stage of plant growth. By developing novel production strategies, PSC can maximize yield per square metre with minimal labour costs leveraging best growing practices and experience in vegetable cultivations and applying to them to its cannabis operation.

Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

Not applicable for the month of **February 2021**.

9. Report on any labour disputes and resolutions of those disputes if applicable.

Not applicable for the month of **February 2021**.

10. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

Not applicable for the month of **February 2021**.

11. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

On **February 11, 2021**, the Issuer announced that it had 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.

On **February 11, 2021** the Issuer's Board of Directors 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.

On **February 11, 2021** the Issuer announced that it had 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.

On **February 11, 2021** announced that it had 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.

On **February 11, 2021** the Issuer additionally announced that it had 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.

On **February 23, 2021** the Issuer’s board of directors approved the settlement of services rendered through the issuance of common shares of the company. Pursuant to the debt settlements, the Company issued an aggregate of 1,420,018 common shares of the company at a deemed price of \$0.05 cents per share to settle \$71,000.92 with certain 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.

12. Provide details of any securities issued and options or warrants granted.

Security	Number Issued	Details of Issuance	Use of Proceeds
Common Shares	150,580,723	Issued pursuant to a third amending agreement of a previous share purchase agreement <sup>(1)</sup>	N/A
Common Shares	1,420,018	Issued pursuant to a settlement of debt <sup>(2)</sup>	N/A



<b>Common Shares</b>	<b>1,120,422</b>	<b>Issued pursuant to a settlement of debt<sup>(3)</sup></b>	<b>N/A</b>
<b>Common Shares</b>	<b>54,000,000</b>	<b>Issued pursuant to a debt settlement of an interest payment<sup>(4)</sup></b>	<b>N/A</b>
<b>Common Shares</b>	<b>20,000,000</b>	<b>Issued pursuant to a settlement agreement<sup>(5)</sup></b>	<b>N/A</b>

Notes: Please refer to Section 11 of this form 7 for further information on the notes below:

- (1) On February 11, 2021, the Issuer announced that it had 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 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 the Company issuing 10% of the issued and outstanding shares of the Company to Mulberry on the date that is the later of it issuing shares pursuant to the JV Agreement and February 8th, 2021, which equated to the issuance of 150,580,723 common shares.
- (2) On February 23, 2021 the Company issued an aggregate of 1,420,018 common shares of the company at a deemed price of \$0.05 cents per share to settle \$71,000.92 with certain creditors.
- (3) On February 11, 2021 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.
- (4) On February 11, 2021 the Issuer announced that it had 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 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.
- (5) On February 11, 2021 the Issuer additionally announced that it had 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. Among other things, 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.

**13. Provide details of any loans to or by Related Persons.**

Not applicable for the month of **February 2021**.

**14. Provide details of any changes in directors, officers or committee members.**

Not applicable for the month of **February 2021**.

**15. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.**

The trends and risks which are likely to impact the Issuer are detailed in the Issuer's Management Discussion and Analysis dated November 30, 2020 (the "MD&A"). The MD&A is available on the Issuer's SEDAR profile at [www.sedar.com](http://www.sedar.com) and on the Issuer's disclosure hall with the CSE at [www.thecse.com](http://www.thecse.com).

Additional trends that are likely to impact the Issuer include:

## **COVID-19**

The outbreak of the coronavirus ("COVID-19") pandemic has impacted the Issuer's plans and activities. The Issuer may face disruption to operations, supply chain delays, travel and trade restrictions and impact on economic activity in affected countries or regions can be expected and can be difficult to quantify. Such pandemics or diseases represent a serious threat to maintaining a skilled workforce industry and could be a major health-care challenge for the Issuer. There can be no assurance that the Issuer's personnel will not be impacted by these pandemic diseases and ultimately that the Issuer would see its workforce productivity reduced or incur increased medical costs/insurance premiums as a result of these health risks. In addition, the COVID-19 pandemic has created a dramatic slowdown in the global economy. The duration of the COVID-19 outbreak and the resultant travel restrictions, social distancing, Government response actions, business closures and business disruptions, can all have an impact on the Issuer's operations and access to capital. There can be no assurance that the Issuer will not be impacted by adverse consequences that be brought about by the COVID-19 pandemic on global financial markets reduce resource prices, share prices and financial liquidity and thereby that severely limit the financing capital available.

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## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated March 4, 2021

Brandon Boddy

Name of Director or Senior  
Officer

"Brandon Boddy"

Signature

Chairman, CEO & Director

Official Capacity

<b>Issuer Details</b> Name of Issuer  AgraFlora Organics International Inc.	For Month End  February 2021	Date of Report YY/MM/D  21/03/04
Issuer Address 750 West Pender Street		
City/Province/Postal Code Vancouver	Issuer Fax No. 604-685-6905	Issuer Telephone No. 604-682-2928
Contact Name  Brandon Boddy	Contact Position Chairman, CEO & Director	Contact Telephone No.  604-682-2928