

FORM 7

**MONTHLY PROGRESS REPORT**

Name of Listed Issuer: AgraFlora Organics International Inc. (the "Issuer" or "AgraFlora").

Trading Symbol: AGRA

Number of Outstanding Listed Securities: 875,155,880

Date: November 4, 2019

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.

**See Item 2 below for a complete overview and discussion of the Issuer's activities for the month of October 2019.**

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

**On October 2, 2019, the Issuer announced a summary of the Phase 1 Delta Greenhouse Complex infrastructure upgrades completed to date. AgraFlora has deployed over C\$30,000,000 in plant, property and equipment expenditures ("PPE") at its Phase 1 Delta Greenhouse Complex retrofit ("Phase 1 Retrofit") in preparation for receipt of its standard cultivation license from Health Canada.**

**AgraFlora's Delta Greenhouse Complex (the "Delta Facility") is second in size and magnitude only to the Smiths Falls facility owned by Canopy Growth Corp., the world's largest cannabis company. By way of additional comparison, AgraFlora's Delta Facility is 100,000 square feet larger than Aurora Cannabis Inc.'s facility in Edmonton, Alberta and it is also more than 700,000 square feet larger than the current size of the Leamington facility owned by Aphria Inc.**

**Milestone infrastructure upgrades, directly correlated to AgraFlora's anticipated award of a standard cultivation license, which were highlighted in the Issuer's recent affirmation of readiness and video evidence package submission to Health Canada include:**

- **Completion of perimeter security fencing;**

- Installation of comprehensive surveillance and anti-intrusion systems, as well as access control infrastructure supported by servers and sustained by independent, backup generators;
- Completion of postharvest zones including dry rooms, trim room, secure storage and packaging facilities;
- Installation of state-of-the-art air exchange system equipped with climate and odour controls;
- Full roof vent insect netting installation for crop protection;
- Supplemental light output upgrades and the furnishing of light deprivation screens;
- Installation of irrigation buffer tanks, mixing stations, and distribution system;
- Retrofit and upgrade of Argus Titan climate control system;
- Completion of grow room divisions for climate and hygiene isolation; and,
- Retrofitting of garment hygiene rooms, security/administration offices, as well as staff amenities;

AgraFlora's internal forecasts indicate that upon receipt of its aforementioned standard cultivation licence from Health Canada, the Issuer will become the fourth-largest licensed producer ("LP") in Canada by 2020 financed production metrics; strategically positioned in close proximity to Canada's largest cannabis economic centres: Toronto and Vancouver.

Figure 1.

Issuer	2020 Estimated Annual Capacity (in grams)	Current Market Capitalization
Aurora Cannabis	700,000,000	\$5,938,602,000
Canopy Growth Corp.	525,000,000	\$10,521,098,000
Aphria	255,000,000	\$1,733,854,000
AgraFlora & PSC	251,250,000 <sup>1</sup>	\$157,303,000
Tilray	225,000,000	\$3,121,407,270.00
The Green Organic Dutchman	195,000,000	\$559,266,000
Cronos Group	150,000,000	\$4,084,620,000
OrganiGram Holdings	113,000,000	\$710,615,000
Hexo Corp.	108,000,000	\$1,344,018,000

The Delta Facility is a state-of-the-art pressurized, semi-open Venlo greenhouse, which is widely considered to be one of the most technically advanced and environmentally friendly greenhouse operations in the world. The Issuer's forecasted production metrics are further substantiated by the Delta Greenhouse Complex's industry-leading cultivation infrastructure, including:

- Fully integrated on-site natural-gas-powered power plant;
  - Providing ample heat and electricity, while repurposing carbon dioxide emissions to benefit the plants;
- Proprietary energy-efficient air exchange;
- Advanced climate and humidity control management infrastructure;
- Ebb-and-flow watering systems to enhance complete irrigation recapture and water treatment;
- 1.5-million-gallon hot water storage tank configured to store energy produced during the day, for redistribution during non-peak hours, thereby increasing operational efficiencies and reducing associated energy costs;
- Multistage supplemental lighting augmented by natural sunlight to foster optimized illumination equilibrium.

The Issuer plans to commence Phase 2 of the Delta Greenhouse Complex retrofit in December of 2019, which will include:

- 10 flower rooms with over one million square feet of canopy;

<sup>1</sup> Forecasted fully funded production metrics derived upon achievement of optimized production at AAA Heidelberg and the Delta Greenhouse Complex.

- 40,000 square feet of EU-GMP postharvest/processing space;
  - Equipped with ozone-rich drying rooms
- Installation of an industrial kitchen; and,
- Workflow design to include commercial C02 and Ethanol extraction capabilities.

On October 3, 2019, the Issuer announced that its wholly-owned subsidiary, Canutra Naturals Ltd., in conjunction with the Université de Moncton (“UM”) continues to achieve material advancements pertaining to the genetic-engineering and phenotyping of a portfolio of high-CBD cannabis varieties at its flagship 76-acre campus in Kent County, New Brunswick.

Canutra holds a cannabis research licence from Health Canada under the Cannabis Regulations Act, which permits the development of proprietary cannabis genetics and phenotypes. Upon achievement of required ancillary licenses, as well as regulatory guidance, AgraFlora plans to commercialize its proprietary, CBD-rich strains as formulation/base inputs at its state-of-the art 51,500 square foot edibles manufacturing facility in Winnipeg, Manitoba (the “Winnipeg Edibles Facility”) (<https://ediblesandinfusions.com/>).

AgraFlora will also leverage advanced extraction methodologies, developed throughout its continued intellectual property (“IP”) aggregation campaign to supplement internal SOPs, as well as process flows at its Winnipeg Edibles Facility; further reinforcing the Issuer’s vertical integration and knowledge transfer mandates.

The Winnipeg Edibles Facility totalling 51,500 square feet is equipped with over 30,000 square feet of dedicated edibles production space, as well as an 8,000 square foot pharmaceutical-grade, edibles research laboratory. Once activated, the Winnipeg Edibles Facility will be operated by a roster of third generation chocolatiers/confectioners and will boast state-of-the-art manufacturing equipment capable of producing an assortment of both cannabinoid/terpene-infused products for medicinal, functional and adult use, including:

- Gummies, hard candy, and gums;
- Baked goods;
- Flavoured tinctures;
- Gourmet snacks, including cannabis-infused honey, maple syrup, sugar and fruit, and vegetable puree-based snacks; and,
- CBD-infused pet products.

AgraFlora continues to adhere to previously announced Winnipeg Edibles Facility infrastructure upgrade timelines and expects to submit applications to Health Canada for standard processing and sales licences on October 17, 2019. AgraFlora continues to participate in provincial edibles product calls, as well as other mandated provincial edibles, topicals and concentrates procurement activities. The Issuer anticipates that the Winnipeg Edibles Facility will be fully operational by the first quarter of 2020.

The Issuer has submitted its application to Health Canada for a corresponding cannabis research and development licence at its Winnipeg Edibles Facility, with anticipated award of said license within the next 30 days. Receipt of full-spectrum cannabinoid concentrates is expected post licensing to assist with product development and ancillary research and development activities. Pharmaceutical-grade equipment for the Winnipeg Edibles Facility’s, research and development laboratory has been shipped from the manufacturer and is expected to arrive on site within the next 15 business days.

AgraFlora is also pleased to reaffirm the following operational updates and licencing guidance relating to the Winnipeg Edibles Facility:

- All applicable cooking, depositing, packaging and lab equipment has been identified and ordered:
  - Once completed, the facility will be turnkey in nature and boast complete automation, from the time inputs arrive in tankers to the time finished products are shipped;

- Product and packaging has been designed with capability to package child resistant re-sealable bags, bottles, droppers and tubes;
- Security system designed and ordered for install in the next 60 days; and,
- Anticipated licence application and submission of its affirmation of readiness and video evidence package to Health Canada by December 2019.

On October 9, 2019 the Issuer announced that it has entered into a hemp-derived consumer packaged goods (“CPG”) distribution agreement (the “Agreement”) with Gateway Newstands (“Gateway”), North America’s premier newsstand retailer.

Gateway has awarded AgraFlora approved supplier status. Gateway boasts over 200 Canadian brick and mortar locations, which are strategically situated in high-traffic major urban centers, including key transit networks, major office towers, shopping malls, hospitals, casinos, premium food service locations and lottery kiosks.

On September 26, 2019 Gateway issued AgraFlora an initial purchase order to supply a suite of hemp-derived CPGs.

This initial purchase order will secure high visibility Canadian shelf space for AgraFlora’s CPG product offering across Gateway locations. AgraFlora and Gateway will also deploy best commercial efforts to pursue conversations relating to a CBD Supply and Consulting Agreement, whereby AgraFlora and Gateway may collaborate to produce a portfolio of CBD-infused CPGs, within eligible jurisdictions.

On October 11, 2019, the Issuer announced that the Issuer has elected not to proceed with its proposed takeover bid of Eviana Health Corporation (“Eviana”) due to:

- Increased regulatory and operational uncertainty; and
- The continued divestments of core assets by Eviana.

On October 15, 2019, the Issuer announced guidance related to the cross functional integration of its patented, pharmaceutical grade cannabinoid dispensing technology, regional cannabis trademark portfolio and CBD performance product suite into the Issuer’s 17,500 North American points of distribution.

AgraFlora’s patented, pharmaceutical grade and hermitically sealed dispensing technology (the “Pharma-Grade Bottle Cap”) is designed to preserve volatile ingredients such as cannabinoids (CBD/THC/CBDA/CBG), antibiotics, probiotics, vitamins, and minerals. The Issuer’s intuitive and user-friendly Pharma-Grade Bottle Cap enables the fresh release of premium and blended medicinal ingredients and/or cannabinoids into an assortment of bottled liquids, resulting in superior shelf stability and increased efficacy when compared with premixed beverages, which are susceptible to rapid nutrient deterioration.

Refined over five years, with research and development expenditures of US\$30 million, the Issuer will leverage its exclusive rights to a marquee Pharma-Grade Bottle Cap to revolutionize North America’s emerging cannabinoid-infused beverage marketplace.

Alongside its exclusive CBD sports partner and transcontinental professional sports team, the Toronto Wolfpack RLFC (the “Wolfpack” or “TWP”), AgraFlora is preparing for the North American launch of a GMP-certified, CBD-infused performance SKU, Rugby Strength. A replenishing topical cream formulated for high-performance athletes, Rugby Strength has been scientifically developed to achieve the best results in natural wellness through the use of the highest standard of CBD.

Additionally, the Issuer has aggregated a diversified portfolio of 57 distinct, high-value cannabis product and service trademarks (the “Cannabis Trademarks”), which it intends to deploy within its edibles, topical and beverage product offering. Included in the portfolio are a series of recognizable, trademarks for exclusive use within the cannabis industry including: regional airport call signs, telephonic area codes and other such recognizable regional identifiers for every Canadian municipality with over 100,000 residents.

AgraFlora is of the opinion that its Cannabis Trademarks exhibit unrivalled branding potential for the cannabis space. It is the Issuer's thesis that consumers will gravitate towards premium SKUs, which are branded with familiar labels and markers while navigating their maiden purchase of cannabis products- thus amplifying a sense of allegiance to their respective region.

The number of registered marks and the robust coverage of the registration with the Registrar of Trademarks in Canada allows AgraFlora to immediately utilize these marks across its diversified holdings and enhance its marketing and distribution efforts in Canada and other international jurisdictions.

The Issuer's patented Pharma-Grade Bottle Cap and CBD performance product suite provides AgraFlora with a foundational platform to enter the sports nutrition and hydration segment, and lays the groundwork for the adoption of CBD/THC/CBDA/CBG in future beverage product offerings in accordance with upcoming regulatory guidance.

AgraFlora's pursuit of defensible cannabinoid beverage technologies, as well as CBD-infused performance products is further validated by recent acquisitions by industry peers, including Canopy Growth Corp.'s all-cash transaction to purchase a majority stake in BioSteel Sports Nutrition Inc., a producer of sports nutrition products (see Figure 1).

Figure 1.

AgraFlora's Pharma-Grade Bottle Cap	BioSteel Sport Nutrition Inc. <sup>2</sup>
17,500 North American Points of Distribution	10,000 North American Points of Distribution
3 Medical Patents, 7 Design Patents, 10 Utility Patents	1 Design Patent
Hermetically sealed formulations	Pre-mixed formulation susceptible to degradation
Medical and recreational usage	Recreational usage
Integrated with 57 unique, high-value regional trademarks	Branded under the BioSteel corporate umbrella
Medical grade delivery technology ensuring consistent dosage of formulations	Antiquated pre-mix technologies
Permits liquid or powder inputs	Solely powered inputs

AgraFlora's Pharma-Grade Bottle Cap, when coupled with the Issuer's anticipated award of a cannabis research and development licence (the "R&D License") at its 51,500 square foot Winnipeg Edibles Facility, permits immediate product development for a net-new suite of cannabinoid-infused beverages; thus preserving its first-mover advantage within the infused beverage arena.

The Issuer is also pleased to reiterate the following Pharma-Grade Bottle Cap related manufacturing guidance:

- Sole Canadian manufacturer and distributor of its Pharma-Grade Bottle Cap, certified for health care and pharmaceutical applications;
- Finalized purchase order for 1.9 million twist and release dose cap units for mass production, further solidifying AgraFlora's position as a first mover within the cannabinoid-infused beverage vertical;
- Robust patent portfolio, including seven design patents, 10 utility patents, as well as certified as a pharma-grade medical device under three U.S. medical patents; and,
- Exclusive care and control of a portfolio of established cannabinoid-infused product formulation recipes already featured in mature U.S. marketplaces.

On October 17, 2019 the Issuer announced that it welcomes Health Canada's formalized regulations for the production and sale of edible cannabis, cannabis extracts and cannabis topicals (the "Regulations"). To date, AgraFlora has deployed over C\$15 million in direct plant, property and

<sup>2</sup> AgraFlora has not performed a comprehensive legal analysis and cannot guarantee the accuracy of the list

equipment (“PPE”) expenditures at its Winnipeg Edibles Facility and 76-acre cannabis campus in Kent County, New Brunswick.

Milestone infrastructure upgrades at the Winnipeg Edibles Factory, which will be highlighted in the Issuer’s upcoming affirmation of readiness and video evidence package submission to Health Canada, include:

- Completion of perimeter security fencing;
- Installation of pharmaceutical-grade building envelope, including epoxy floors, as well as food-grade insulated metal panels for walls and ceiling;
- Installation of comprehensive surveillance and anti-intrusion systems, as well as access control infrastructure supported by servers and sustained by independent, backup generators;
- Modernization of water service infrastructure;
- Fire suppression system installation;
- Improvements to the facility's structural integrity;
- Installation of two rooftop HVAC units;
- Upgrading of electrical service infrastructure, including transformers and surge protection systems;
- Installation of floor drains throughout the 33,000 square foot production area;
- Completion of a 750-square-foot pharmaceutical-grade research and development laboratory, including the installation of state-of-the-art equipment for the weighing, handling and processing micro-dosages of CBD/THC compounds, including magnetic mixers, homogenizers and high-pressure liquid chromatograph (“HPLC”);
- Retrofitting of the facility's on-site high-pressure boiler room; and,
- Upgrading office and staff facilities.

The Issuer also reports material facility retrofit expenditures at its Toronto, Ontario brewery (the “Brewhouse”), which are projected to increase its output capacity to over 200,000 hectolitres (“hl”) per annum. Upon completion of the retrofit, aggregate capital expenditures deployed on the Brewhouse will exceed C\$20 million. By way of an exclusive agreement, AgraFlora holds claim to the exclusive formulation, manufacturing and distribution rights for all cannabinoid-infused beverages developed at said Brewhouse.

Additionally, the Issuer announces research and development (“R&D”) expenditures of US\$30 million in connection with its patented, pharmaceutical grade and hermitically sealed dispensing technology (the “Pharma-Grade Bottle Cap”). AgraFlora’s Pharma-Grade Bottle Cap enables the fresh release of premium and blended medicinal ingredients and/or cannabinoids into an assortment of bottled liquids, resulting in superior shelf stability and increased efficacy when compared with premixed beverages, which are susceptible to rapid nutrient deterioration.

AgraFlora also estimates over C\$10 million in capitalized assets in relation to its 57 distinct, high-value cannabis product and service trademarks (the “Cannabis Trademarks”) and associated goodwill. Included in the Cannabis Trademark portfolio are a series of recognizable, trademarks for exclusive use within the cannabis industry including: regional airport call signs, telephonic area codes and other such recognizable regional identifiers for every Canadian municipality with over 100,000 residents.

The Issuer is of the opinion that its Cannabis Trademarks exhibit unrivalled branding potential for the cannabis space. It is the Issuer’s thesis that consumers will gravitate towards premium SKUs, which are branded with familiar labels and markers while navigating their maiden purchase of cannabis products- thus amplifying a sense of allegiance to their respective region.

A summary of related expenditures to date associated with the Issuer’s downstream asset portfolio include:

- Over C\$15 million in direct plant, property and equipment (“PPE”) expenditures at its Winnipeg Edibles Facility and 76-acre cannabis campus in Kent County, New Brunswick;
- Aggregate capital expenditures in excess of C\$20 million deployed on the Issuer’s Toronto, Ontario Brewhouse;

- R&D expenditures of US\$30 million in connection with its patented, pharmaceutical grade and hermetically sealed Pharma-Grade Bottle Cap; and,
- Estimated C\$10 million in capitalized assets in relation to its 57 distinct, high-value cannabis product and service trademarks (the “Cannabis Trademarks”) and associated goodwill.

On October 24, 2019, the Issuer announced that it has initiated development of Canessence, a terpene-infused, organic cannabis sativa seed oil CPG. AgraFlora will position Canessence within the marketplace as a legal, over-the-counter (“OTC”) substitute to conventional CBD.

Canessence will have a unique formulated terpene profile coupled with organic cannabis sativa seed oil to amplify the activation of the endocannabinoid system (the “ECS”); thus optimizing cannabinoid uptake, as well as standardizing pharmacological effects within the ECS of both humans and pets. The Issuer anticipates that it will market its Canessence product portfolio in capsule, topical and tincture format.

The Issuer also plans to incorporate its proprietary Canessence formulation as a base serum into its existing Whole Hemp Health (“WHH”) product line. This scalable integration will further augment its vertically integrated “farm-to-face” mandate while increasing the efficiency of the Issuer’s existing premium WHH SKUs. An ultra-premium all-natural, skin care line, WHH is formulated with 100 per-cent organic cannabis sativa seed oil and is marketed by way of brick-and-mortar retail outlets, Amazon Prime, as well as direct to consumer, through an integrated Shopify e-commerce platform.

The initial synthesis of Canessence will be championed by AgraFlora’s cannabinoid R&D consultancy arm in conjunction with UM and will be comprised of the following initial deliverables:

□

- Cannabinoid extraction and essential oil recovery;
- Purification stage for the separation of fats and lipids, or other modifications deemed necessary; and,
- A mixing/emulsification stage with the objective of formulating a unique matrix. □

AgraFlora plans to pursue secure national listings of its Canessence product portfolio through prominent, high-traffic distribution channels including: c-store, pharmacies, naturopathic clinics, salons/spas, as well as health and wellness retailers. The Issuer will also integrate Canessence in its 17,500 North American points of distribution.

The Issuer will leverage its 76-acres riverfront Kent County, New Brunswick cannabis campus (the “Cannabis Campus”) and its cannabis research licence from Health Canada under the Cannabis Regulations Act to formulate/synthesize its revolutionary Canessence product suite. AgraFlora’s Cannabis Campus, formerly a federally owned farm and research facility, boasts over 17,500 square feet of commercial-grade production facilities, as well as 12 separate free-standing structures.

AgraFlora also announces the commencement of a retrofit to seven of the non-core operating buildings at its Cannabis Campus. The retrofit is projected to be completed concurrent to AgraFlora’s 2020 industrial hemp plating initiatives and will include:

- Structural restorations;
- Water system restoration;
- Ventilation system maintenance; and
- Additional processing/laboratory/storage area preparation.

On October 25, 2019 the Issuer announced that it has acquired 100 per-cent (100%) of the issued and outstanding shares of The Good Company GmbH (“The Good Company”). The Good Company is the parent company of German EU-GDP medical cannabis distributor, Farmako GmbH (“Farmako”).

Farmako is a leading European medical cannabis distributor, headquartered in Frankfurt, Germany, with affiliated companies in the United Kingdom (“UK”), Luxembourg and Denmark.

## GERMANY

Farmako is equipped with the following German and European industry certifications and distribution licenses, affording the Issuer unparalleled access to Germany's geometrical growing medical cannabis marketplace:

- Medical wholesale distribution license under German Medicines Act ("AMG");
- Permit for Narcotic Drug Handling as per German Betäubungsmittelgesetz ("BtMG"); and,
- Certificate of EU-Good Distribution Practice ("EU-GDP").

Farmako has realized revenues of over C\$2,326,000.00 throughout the 2019 fiscal year and has succeeded in capturing an eight per-cent (8%) market share of Germany's burgeoning medical cannabis arena, boasting the highest capital efficiency and positive EBIT margins within the industry.

Farmako's German distribution network extends over 19,800 pharmacies and comprises an aggregate patient population of over 100,000 unique individuals.

Germany's medical cannabis laws were introduced in March 2017 and the country is poised to become one of the largest federally regulated medical cannabis markets in the world. The German patient population for medical cannabis is experiencing exponential growth, with over 100,000 patients now active; an increase from approximately 800 in 2017. According to market data from Insight Health, each eligible German patient is prescribed on average approximately 30 grams of medical cannabis per month; when extrapolated this equates to annual cannabis demand of 36 tons.

## UNITED KINGDOM

Additionally, Farmako has been granted an authorization for the wholesale distribution of medicinal products, including medical cannabis, by the UK's Medicines and Healthcare products Regulatory Agency (the "MRHA"). Recent UK legislation allows for the prescription of cannabis from a medical specialist via a regular pharmacy model. Access to this high-profile market, when coupled with broad National Health Service insurance coverage for medical cannabis to ensure patient outcomes, is a key strategic element of AgraFlora's global platform.

Within the UK, medical cannabis can prescribe by eligible physicians for five conditions as set out in the government's review:

- Multiple sclerosis (specifically pain or muscle spasticity)
- Chemotherapy-induced nausea;
- Severe treatment-resistant epilepsy in children;
- Chronic pain in adults; and,
- Appetite and weight loss associated with HIV/AIDS

Prohibition Partners estimates that there are as many as 3.6 million active cannabis users in the UK. AgraFlora and Farmako are committed to the expansion of a sophisticated, pan-European cannabis production and distribution network, which serves the needs of physicians and their patients.

## AGRAFLORA AND FARMAKO

Outfitted with an experienced operations team, focused on deploying a patient-centric distribution strategy and optimized supply chain protocols, Farmako, together with AgraFlora is mandated with addressing priority medical conditions within the European medical cannabis theatre through the combination of:

- Patented delivery systems and technologies;
- Extensive CPGs and branded product market entrance experience;
- Global scientific expertise and a defendable IP portfolio; and,
- Comprehensive doctor detailing and educational campaigns.



AgraFlora will pursue the processing of EU-GMP compliant cannabis products from its Delta Facility for integration into Farmako's European distribution channels. EU-GMP certified cannabis products are eligible for import/export and sale in the European Union. European Good manufacturing practice ("EU-GMP") certification is an internationally recognized system, mandated with ensuring all produced goods meet the highest consumer health and safety standard.

Planned German distribution of cannabis products produced at its Delta Facility, at a forecasted unit contribution of C\$0.80 per gram, affords AgraFlora the opportunity to achieve unparalleled retail margins due to its seed to sale vertical integration. Price sensitivity within the German pharmaceutical cannabis market is considerably lower than in traditional recreational markets due to broad insurance coverage, equating to median retail prices of approximately C\$20.00 per gram.

The Issuer's Delta Facility is second in size and magnitude only to the Smiths Falls facility owned by Canopy Growth Corp., the world's largest cannabis company. By way of additional comparison, AgraFlora's Delta Facility is 100,000 square feet larger than Aurora Cannabis Inc.'s facility in Edmonton, Alberta and it is also more than 700,000 square feet larger than the current size of the Leamington facility owned by Aphria Inc.

The Delta Facility is a state-of-the-art pressurized, semi-open Venlo greenhouse, which is widely considered to be one of the most technically advanced and environmentally friendly greenhouse operations in the world.

AgraFlora's internal forecasts indicate that upon receipt of its aforementioned standard cultivation licence from Health Canada, the Issuer will become the fourth-largest LP in Canada by 2020 financed production metrics:

Figure 1.

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AgraFlora plans to commence Phase 2 of the Delta Facility retrofit in December of 2019, which will include:

- 10 flower rooms with over one million square feet of canopy;
- 40,000 square feet of EU-GMP postharvest/processing space;
- Equipped with ozone-rich drying rooms;
- Installation of an industrial kitchen; and,
- Workflow design to include commercial and ethanol extraction capabilities.

On October 28, 2019, the Issuer provided comment regarding Statistics Canada's August 2019 cannabis retail sales data (the "Sales Data"). The Sales Data reflects monthly retail sales for the Canadian adult-use market in each respective province.

Canadian adult-use cannabis stores reported record sales of C\$127.4 million in August, achieving month over month ("MoM") growth on both an aggregate sales and a sales per day basis of 19 per-cent. When extrapolated, August's record sales numbers equate to a 2019 annual run-run of approximately C\$1.5 billion.

<sup>3</sup> Forecasted fully funded production metrics derived upon achievement of optimized production at AAA Heidelberg and the Delta Greenhouse Complex.

Across Canada, licensed brick-and-mortar retail store locations experienced MoM growth of 14 per-cent in August and 18 per-cent in September respectively. As of October 28, 2019, it is estimated that there are 647 licensed and authorized cannabis retail stores across Canada.

With a robust portfolio of upstream and downstream cannabis assets, AgraFlora is well equipped to service Canada's maturing cannabis flower marketplace, as well as the Country's formalized cannabis 2.0 landscape; including the production and sale of edible cannabis, cannabis extracts and cannabis topicals.

To date, the Issuer has deployed over C\$115 million in associated plant, property and equipment ("PPE") expenditures related to its cultivation, manufacturing and distribution assets. These accretive PPE expenditures have positioned AgraFlora to capture defensible market share within Canada's growing domestic cannabis arena.

A summary of related expenditures to date associated with the Issuer's upstream and downstream cannabis asset portfolio include:

- In excess of C\$30 million in plant, property and equipment expenditures (PPE) at its phase 1 Delta greenhouse complex retrofit in preparation for receipt of its standard cultivation licence from Health Canada
- Over C\$16 million in direct PPE expenditures at its Winnipeg edibles facility and 76-acre cannabis campus in Kent county, New Brunswick;
- Aggregate capital expenditures in excess of C\$20 million deployed on the Issuer's Toronto, Ontario, Brewhouse;
- R&D expenditures of US\$30 million in connection with its patented, pharmaceutical grade and hermitically sealed cannabinoid delivery system; and,
- C\$10 million in capitalized assets in relation to its 57 distinct, high-value cannabis trademarks, associated goodwill, and branding and exclusive distribution rights in connection with the branding and exclusive distribution rights CBD-sports partner and transcontinental professional sports team, the Toronto Wolfpack RLFC.

On October 30, 2019, the Issuer announced that it has received its inaugural purchase order (the "PO") from its 50 per-cent owned joint venture, Eurasia Infused Cosmetics Inc. ("Eurasia Infused" or the "JV").

Eurasia Infused, by way of a commercial concession with CBD Group Asia Ltd. ("CBD Group Asia"), controls distribution agreements for CBD and organic cannabis sativa seed oil infused CPGs, for the territories of People's Republic of China, as well as the Hong Kong special administrative region. This distribution agreement extends to AgraFlora's existing portfolio of CBD-infused and organic cannabis sativa seed oil derived product suite.

Hong Kong domiciled CBD Group Asia Ltd., has previously distributed premium Canadian CPGs into China's largest retail chains and C-stores, including RT-Mart International Ltd. ("RT Mart") and Carrefour SA. RT Mart alone operates over 484 retail locations covering 233 cities and 29 provinces in China and generated \$20 billion in sales in 2018.

On October 25, 2019, the JV issued AgraFlora an initial purchase order to supply its organic cannabis sativa seed oil infused face serum and lip balm. This initial purchase order will secure high-visibility Asia Pacific shelf space for AgraFlora's existing CPG product offering.

According to a report by Grand View Research, Inc., the Chinese CBD category is estimated to potentially be worth up to \$15 billion by the year 2024<sup>4</sup>. Additionally, the global CBD skin care marketplace, including the Asia Pacific regions, is expected to reach \$1.7 billion by 2025, expanding at a CAGR of 32.9% over the forecast period.

Over the past 60 calendar days, AgraFlora and CBD Group Asia have collaborated on a variety of product customization, branding and distribution initiatives, with the objective of tailoring the

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<sup>4</sup> <https://www.healtheuropa.eu/asia-pacific-cannabis-markets/93798/>

Issuer's product offering for rapid uptake into the Asian CPG markets. The JV's continuing CPG customization and distribution deliverables, culminating with this initial PO, include the following:

- Brand testing, focus groups and data mining initiatives;
- Successful YuShop Global (HK) Ltd. product listings for CBD-infused CPGs:
  - Active user footprint of over 500 million consumers; and
  - Permits immediate access to China/Hong Kong's burgeoning CBD-infused CPG marketplaces;
- National CPG listings, leveraging CBD Group Asia's high-traffic distribution channels, including the introduction of high-traffic retail channel partners, as well as 1,500 luxury health spas;
- Organic cannabis sativa certificate of analysis ("COA") authorization;
- Product and packaging customization;
- Development of a full-spectrum CBD facial serum, infused with hemp root oil;
- Initial three SKUs fully customized/import certified for the Chinese/Hong Kong marketplaces packaged for shipment from the Issuer's co-packer to fulfill POs;
- Architecture of a network of Chinese Canutra/Whole Hemp Health-branded pop-up shops, further expanding the Issuer's retail footprint and brand presence in an economical and contemporary manner; and
- Integration into CBD Group Asia's proprietary direct to customer Asian sales WeChat platform providing unencumbered daily access to 1.08 billion current WeChat customers.

The JV is positioned to capitalize on current and future market trends in the rapidly expanding global cannabinoid-infused CPG space. Existing turnkey cultivation/manufacturing capabilities further bolster the Eurasia Infused's ability to swiftly expand the breadth of its current product line to more than 40 SKUs. Eurasia Infused is finalizing the development phase of a suite of innovative SKUs, specifically tailored of the Asia Pacific theatre, including:

- Organic infused cosmetics with anti-aging properties;
- CBD tinctures;
- CBD capsules; and
- CBD-infused candies.

The JV will work to integrate Cannessence, AgraFlora's recently announced terpene-infused, organic cannabis sativa seed oil formulation, into its distribution channels. Cannessence when coupled with organic cannabis sativa seed oil, will boast a uniquely formulated terpene profile resulting in amplification of the activation of the endocannabinoid system (the "ECS"), optimization of cannabinoid uptake and standardization of pharmacological effects within the ECS of both humans and pets.

Eurasia Infused anticipates that it will market its Cannessence product portfolio in capsule, topical and tincture format and aims to position Cannessence within the marketplace as an over-the-counter (OTC) substitute to conventional CBD.

On October 31, 2019, the Issuer commented on Germany's medical and pharmaceutical cannabis industries.

Germany, Europe's largest economy and the most populous European Union ("EU") member state introduced revised medical cannabis legislation in March 2017, affording the Country's geometrically growing patient population access to an alternative form of therapy. Germany represents one of the ultimate global potentials for medical cannabis, due to:

- Estimated €420 billion in annual health care expenditures;
- 8,800,000 grams of total medicinal cannabis allowance in 2019;
- Median retail prices of between €20 and €20 per gram of medical cannabis flower;
- Largest consumer base for cannabis among all EU nations;

- Forecasted cannabis market size of €7.7 billion by 2028<sup>5</sup>; and
- Full reimbursement of 60% of all medical/pharmaceutical cannabis prescriptions.

Germany is presently the largest medicinal cannabis market in Europe and can be divided into two principal submarkets:

1. **Pharmaceutical Cannabis Market:** Representing cannabis-based pharmaceutical drugs, including Sativex, Dronabinol and Nabilone.
2. **Medical Cannabis Market:** Representing plant-based and plant-derived cannabis products (though Germany's cannabis programs are still being developed, they are projected to be among the most robust in Europe).

Under current medical cannabis legislation, German public health insurers, which cover 90% of the population, are mandated to provide coverage for up to 140 grams of eligible cannabis medications per month; making Germany one of the most potentially valuable markets in Europe. Medical cannabis can be sold only through registered pharmacies, of which there are about 20,000 in Germany.

The German patient population for medical cannabis is experiencing exponential growth, with over approximately 100,000 patients now active as of October 2019, an increase from approximately 800 in 2017. Prohibition Partners has forecasted that Germany will eclipse 1,000,000 eligible medical cannabis patients by 2024.

On October 25, 2019 AgraFlora announced the acquisition of 100 per cent of the issued and outstanding shares of The Good Company, the parent company of German European Union good distribution practice medical cannabis distributor, Farmako.

Farmako is a leading European medical cannabis distributor, headquartered in Frankfurt, Germany, with affiliated companies in the United Kingdom, Luxembourg and Denmark. Farmako is equipped with the following German and European industry certifications and distribution licences, affording the Issuer unparalleled access to Germany's exponentially growing medical cannabis marketplace:

- Medical wholesale distribution licence under German Medicines Act ("AMG");
- Permit for narcotic drug handling as per German Betaubungsmittelgesetz ("BtMG"); and
- Certificate of EU-GDP.

Farmako's German distribution network extends over 19,800 pharmacies and comprises an aggregate patient population of over 100,000 unique individuals.

The German medical cannabis market remains dependent on imports to fulfill its expanding domestic demand curve. In 2017, Germany imported 1,200 kilograms of medicinal cannabis flower. German medical cannabis imports more than tripled in 2018, achieving total import quantities of approximately 4,400 kilograms; with more than half of eligible imports originating from Canadian suppliers.

CBD products are legal within the German operating theatre but must adhere to precise THC limits of less than 0.02%. CBD is marketed and sold in German under the following formats and form factors:

- CBD oil;
- CBD nicotine-free E-liquids;
- CBD capsules;
- CBD crystals;
- CBD-fused cosmetics; and
- Functional foods / CBD-infused edibles.

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<sup>5</sup> Published by the data and intelligence firm Prohibition Partners, [the Germany Cannabis Report](#)

AgraFlora will pursue the processing of EU-GMP-compliant cannabis products from its Delta Facility for integration into Farmako's European distribution channels. EU-GMP certified cannabis products are eligible for import/export and sale in the European Union. European Good manufacturing practice (EU-GMP) certification is an internationally recognized system, mandated with ensuring all produced goods meet the highest consumer health and safety standard.

Planned German distribution of cannabis products produced at its Delta Facility, at a forecasted unit contribution of 80 cents per gram, affords AgraFlora the opportunity to achieve unparalleled retail margins due to its seed-to-sale vertical integration.

The Issuer encourages current and prospective shareholders alike to download the Farmako corporate presentation by following the below stated URL:

<https://agraflora.com/download/28904/>

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.

**See Item 2 above for updates to the Issuer's products and services.**

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.

**N/A.**

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.

**See Item 2 above. The Good Company, Farmako and Gateway Newstands are not Related Parties of the Issuer.**

6. 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.

**None.**

7. 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.

**N/A.**

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

**N/A.**

9. 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.

**See Item 2 above.**

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

**None.**

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

**None.**

12. 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.

**None.**

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

**N/A.**

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

Security	Number Issued	Details of Issuance	Use of Proceeds
Common Shares	1,250,000	Common shares of the Issuer at \$0.255 per share.	N/A – issued pursuant to a letter of intent.

15. Provide details of any loans to or by Related Persons.

**N/A.**

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

**None.**

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

**Changes in commodity prices and changes in the share performance of other companies may affect the Issuer's ability to raise financing.**

## 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 CNSX 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 CNSX Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated: November 4, 2019 .

Brandon Boddy  
Name of Director or Senior Officer

"Brandon Boddy"  
Signature

Chairman, CEO & Director  
Official Capacity

<b>Issuer Details</b> Name of Issuer	For Month End	Date of Report YY/MM/D
<b>AgraFlora Organics International Inc.</b>	<b>October 2019</b>	<b>19/11/04</b>
Issuer Address <b>Suite 804 – 750 W. Pender Street</b>		
City/Province/Postal Code <b>Vancouver, BC V6C 2T7</b>	Issuer Fax No. <b>(604) 685.6905</b>	Issuer Telephone No. <b>604.682.2928</b>
Contact Name <b>Brandon Boddy</b>	Contact Position <b>Chairman, CEO &amp; Director</b>	Contact Telephone No. <b>604.682.2928</b>
Contact Email Address <a href="mailto:ir@agraflora.com">ir@agraflora.com</a>	Web Site Address <a href="http://www.agraflora.com">www.agraflora.com</a>	