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: **934,322,547**

Date: **January 6, 2020**

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 December 2019.

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

   On December 5, 2019, the Issuer announced that it has entered into an interim agreement (the "Agreement") to acquire 100 per-cent of the issued and outstanding shares of Sanna Health Corp. ("Sanna"). Sanna is a Canadian cannabis company based in the Greater Toronto Area (the "GTA"), which boasts the following licenses awarded under the Access to Cannabis for Medical Purposes Regulations ("ACMPR"):

   - **Standard Cultivation License;**
   - **Standard Processing License; and,**
   - **Medical Sales License.**

   LICENSED EXTRACTION

   Sanna is headquartered in the GTA, only 30 minutes from downtown Toronto, affording the Issuer unbridled access to the largest addressable Canadian 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. Coupled with an option to expand its current production area to 89,000 square feet, as well as ample commercial-industrial space for future expansion. Once Ontario's anticipated regulatory changes take effect, expanding retail opportunities, Sanna will look to architect and

operate an on-site dispensary, allowing the Issuer to capitalize on its prime proximity to the seven million population in the GTA and immediately surrounding areas.

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 Issuer forecasts that once optimized, 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 Issuer's 88-acre outdoor cannabis grow located less than 90 minutes from its GTA headquarters, permitting streamlined logistics and reduced transportation costs.

Commencing in Q1 of 2020, Sanna will also finalize distillate supply contracts, currently in the final stages of negotiation. These supply contracts in conjunction with Sanna's industry-leading processing infrastructure will result in immediate high-margin revenues.

OUTDOOR CULTIVATION

Sanna owns an 88-acre late-stage Health Canada outdoor cultivation applicant. The Issuer plans to submit its affirmation of readiness and video evidence package for its initial 13-acre Zone One outdoor grow on or before March 1, 2020, 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 Issuer will deploy proprietary varietals 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 Issuer'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 Issuer'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 Issuer'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 (the "MoUs") in place with established cannabis retailers, Canna Cabana by High Tide Inc., as well as Delta 9 Cannabis Inc. ("Delta9"). In aggregate, Canna Cabana and Delta9 will boast 45 licensed, high-traffic brick-and-mortar retail locations across Canada by Q1 2020.

The Issuer 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 Issuer 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 Issuer 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 Issuer's vertically integrated mandate by coupling a high-traffic retail footprint and continuing brand presence with existing cultivation, processing and extraction capabilities.

LICENSED MEDICAL CANNABIS PRODUCTS

Sanna holds the exclusive Canadian license for the award winning MÜV portfolio of premium cannabis products developed and distributed by Florida-based AltMed Enterprises, LLC ("AltMed"). AltMed is a state-leading pharma-grade medical cannabis company, which reports substantial revenues and patient base in both Florida and Arizona, serving the states' combined populous of 28,000,000 inhabitants.

AltMed's continued success in key markets such as Florida and Arizona have resulted in the MÜV brand achieving readily identifiable status with Canadian seasonal inhabitants. AltMed's flagship markets include Florida, which appeals to Canadian east coast snowbirds, as well as Arizona, which is frequented by west coast based Canadian travelers. The Issuer is of the opinion that the success of its licensed MÜV product portfolio in jurisdictions frequented by Canadians will translate into instantaneous traction within the Canadian marketplace.

AltMed delivers pharmaceutical industry precision to the production and distribution of medical cannabis products under the MÜV™ brand. The MÜV brand is driven by research and development and has received national and international interest for its quality, consistency and safety. For detailed product information please go to AltMed Florida.

Launched originally in Arizona, MÜV has received five best of Arizona awards for medical cannabis products including multiple first place prizes for its proprietary ethanol extractions.

Sanna will leverage its existing extraction processes and proprietary formulations licensed from AltMed to introduce MÜV branded products where permissible under Health Canada regulations. Mandated with producing standardized, dosable medical cannabis solutions through various delivery platforms, Sanna is targeting common indications such as poor sleep, pain, inflammation, anxiety and focus. Sanna has developed a unique line of branded product formulations, to be administered by way of various form factors such as capsules, transdermal patches, topicals and metered dose inhalers.

TERMS

Under the terms of the Agreement, AgraFlora will pursue the acquisition of 100 per-cent of all the issued and outstanding shares in the capital of Sanna in exchange for an aggregate of $23 million in common shares in the capital of the Issuer, based upon a fixed pricing benchmark of $0.30 per share. The payment shares issuable on the acquisition are subject to escrow provisions over 18 months and one day. The closing of this acquisition is subject to customary terms and conditions. A finder's fee is payable on this transaction, subject to applicable securities laws.

Further to the Issuer's news release dated April 29, 2019, the Issuer has proceeded with the final issuance of 1.25 million bonus shares at a price of $0.175 per share to Cornelius Houwelings pursuant to a letter of intent dated May 22, 2018.

On December 10, 2019, the Issuer announced that its subsidiary, Potluck Potions and Edibles Inc., has been awarded a cannabis research licence (the "Research License") from Health Canada under the Cannabis Regulations Act.

The Research Licence equips AgraFlora with the ability to develop cannabis infused beverage formulations, as well as complete human sensory testing for taste, appearance, aroma and texture at its GMP bottling facility located in Toronto, Ontario (the "Toronto Bottling Facility"). The Research Licence also allows AgraFlora to possess and store dry cannabis, cannabis oils/concentrates and cannabis edibles on site at the Toronto Bottling Facility.

In anticipation of the Research Licence, AgraFlora began comprehensive retrofit initiatives at the Toronto Bottling Facility including the completion of a cannabis research laboratory (the "Research Laboratory") within its current GMP-certified premises. The Research Laboratory consists of state-of-the-art equipment for weighing, handling and processing microdosages of CBD and THC compounds, including magnetic mixers, homogenizers and high-pressure liquid chromatograph ("HPLC").

The Issuer plans to immediately commence cannabinoid-related research and development activities, including:

- **Establishment of extraction protocols to isolate specific desirable compounds, including CBD, THC and THCV;**
- **Cannabinoid extract infusion analysis relating to formulation and pilot batching;**
- **Identification of process and physiochemical product attributes paired with analytically guided optimization;**
- **Development of optimized blend formulations for water solubility and shelf stability ratios/forms;**
- **High-pressure homogenization to produce superfine emulsions from cannabis oil; and,**
- **Centrifugal partition chromatography to develop compounds in a powdered format.**

AgraFlora's Toronto Bottling Facility boasts extensive manufacturing experience for leading beverage brands, such as Heineken and SABMiller, as well as the Coca-Cola Company. Strategically situated in the GTA, the Toronto Bottling Facility affords the Issuer unbridled access to the largest addressable Canadian marketplace. The GTA is buoyed by established infrastructure, offering the flexibility to accommodate shipments from multiple ports and hubs across North America.

With annualized throughput of up to 30 million bottles the Toronto Bottling Facility is equipped with custom-made bottling equipment, configured to conduct rapid production runs, with minimal downtime for production line changeovers. Fully operational, the Issuer's Toronto Bottling Facility has been granted the following industry certifications:

- **Good manufacturing practices ("GMP");**
- **Canadian organic standards;**
- **Certified vegan;**
- **Fair trade certification ("ISO 17065"); and,**
- **Kosher facility status.**

Further to the Issuer's news release dated November 25, 2019, AgraFlora has entered into signed subscription agreements for a non-brokered private placement offering consisting of 30,000 unsecured convertible debentures with an aggregate face value of $1,000 for increased gross aggregate proceeds of $30 million. The debentures shall mature on March 12, 2021.

Proceeds from the placement will be used as general working capital and to continue the Issuer's continuing capital expenditures at its 2.2-million-square-foot Delta greenhouse complex as well as its 51,500-square-foot Winnipeg edibles facility and for investment purposes.

On December 12, 2019, the Issuer announced that the Issuer's United Kingdom (the "UK") subsidiary, Farmako Limited has completed its UK Home Office inspection for the purpose of obtaining a Controlled Drug License.

Farmako Limited had already been granted certification for its compliance with Good Distribution Practice ("GDP") and received an authorization for the wholesale distribution ("WDA") of medicinal products, including medical cannabis, in summer 2019 after completing a successful inspection by the UK's Medicines and Healthcare Products Regulatory Agency (the "MRHA") earlier this year.

The UK medicinal cannabis market value is forecast to reach almost US$1.3 billion by 2024. Prohibition

Partners' has also estimated that up to 1 per-cent of the UK population could qualify as medical cannabis patients by 2028. [1]

Upon receipt of a Controlled Drug License from the UK Home Office, after last week's inspection, Farmako Limited will be fully licensed to pursue pharmaceutical/medical cannabis trading within the UK operating theatre. Initially, Farmako Limited will pursue the import of Bedrocan products from the Netherlands to the UK for end patient distribution.

Additionally, Farmako Limited reports it is in advanced contract discussions with an external UK domiciled pharmaceutical logistics firm which will function as the Issuer's secured UK warehousing and shipping hub.

Recent UK legislation allows for the prescription of cannabis from medical specialists through a regular pharmacy model. Access to this high-profile market, when coupled with broad National Health Service ("NHS") insurance coverage for medical cannabis to ensure better patient outcomes, is a key strategic element of AgraFlora's global platform.

Within the UK, medical/pharmaceutical cannabis can be prescribed 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. [2]

On December 17, 2019, the Issuer announced that the Issuer's 50 per-cent owned joint venture subsidiary, Eurasia Infused Cosmetics Inc. ("Eurasia Infused") is preparing to import a suite of Toronto Wolfpack RLFC (the "Toronto Wolfpack" or "TWP") / HowlBrands CBD performance products into 2019 Rugby World Cup host nation, Japan, as well as the Hong Kong special administrative region.

By way of an exclusive manufacturing and distribution agreement with the Toronto Wolfpack and HowlBrands, AgraFlora is positioned at the nexus of the burgeoning CBD-infused performance products marketplace and the vast captive audience of professional sports. The exclusive agreement is further bolstered by TWP's recent Super League promotion and transatlantic professional sports team status, affording AgraFlora with a noteworthy platform to capture material market share within the sports nutrition and rehabilitation segments.

In October 2019 AgraFlora's exclusive CBD sports partner, the Toronto Wolfpack, was promoted to the 2020 RLF Super League competition; an accomplishment that positions the TWP in the highest tier of English **rugby league, boasting international broadcast reach to over 250 million homes. The**

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[1] https://prohibitionpartners.com/report-uploads/The%20UK%20Cannabis%20Report.pdf?utm_source=The+UK+Cannabis+Report&utm_campaign=e20535cbbe-AUTOMATION__UK_Cannabis_Report&utm_medium=email&utm_term=0_d7705e0d28-e20535cbbe-78720305

[2] https://prohibitionpartners.com/report-uploads/The%20UK%20Cannabis%20Report.pdf?utm_source=The+UK+Cannabis+Report&utm_campaign=e20535cbbe-AUTOMATION__UK_Cannabis_Report&utm_medium=email&utm_term=0_d7705e0d28-e20535cbbe-78720305

Toronto Wolfpack achieved 704 million unique views from associated print and web articles throughout the 2019 season, as well as 40.4 million views attributed from its global Rugby Strength product announcement.

The 2019 Rugby World Cup hosted by Japan garnered total viewership of over 1.7 billion digital video views world wide, affording advertisers an embedded and captive fan base already familiar with the familiar with the gladiatorial nature of rugby, as well as the associated maladies which may be remedied by the next generation of CBD sport products.

Eurasia and the Toronto Wolfpack/HowlBrands will collaborate to import the following hemp-derived, CO2 extracted and GMP certified CBD-infused performance stock keeping units ("SKUs):

- **CBD isolate performance tincture;**
- **CBD-infused sports rejuvenation gummies; and,**
- **CBD sport capsules.**

Eurasia Infused, by way of a commercial concession with Hong Kong-domiciled CBD Group Asia Ltd. ("CBD Group Asia"), controls a distribution agreement for CBD and hemp-derived beauty, wellness and performance products within the South Asian and Pacific Rim theatres.

CBD Group Asia's principals boast more than a decade experience specializing in the importation and customization of premium Canadian consumer packaged goods ("CPGs") for the Chinese marketplace. The CBD Group Asia management team 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 December 19, 2019, the Issuer announced that it is architecting the following onsite farm-gate cannabis retail facilities:

- **1,200 square foot farm-gate retail facility adjoining its 37,000 square foot licensed cultivation and processing facility in Scarborough, Ontario; and,**
- **690 square foot farm-gate retail facility adjoining its 8,000 square foot London, Ontario AAA Heidelberg licensed craft cannabis cultivation facility.**

In aggregate, the Issuer's planned farm-gate facilities will provide prime proximity to a potential catchment area of over 8.5 million cannabis purchasers. The establishment and eventual operation of AgraFlora's planned onsite farm-gate retail stores will afford the Issuer greater control of its cannabis ecosystem, from production to end distribution while promoting vertical integration; ultimately amplifying its ability to function as a price maker, not a price taker.

The farm-gate stores will represent new direct-to-consumer distribution channels for AgraFlora as the Issuer progresses towards production in Q1 of 2020. The Issuer's current 2020 projected output of dried cannabis flower is approximately 170,000 kilograms, including forecasted production at its 2.2 million square foot Delta Greenhouse Facility, licensed producer Sanna Health / Sustainable Growth Strategic cultivation and processing facilities and its purpose built AAA Heidelberg craft cannabis cultivation facility. Additionally, AgraFlora anticipates the successful recapture of over one million grams of premium cannabis trim to be manufactured into ancillary value-added cannabis products on an annualized basis.

The opportunity for the farm-gate store arose from the recently enacted amendments to provincial legislation governing the cannabis retail market. On November 6, 2019, the Ontario provincial government released its 2019 Ontario economic outlook and fiscal review, which announced key updates regarding how it will open the market for cannabis retail. The revised legislation allows licensed producers to establish retail stores on their production sites.

AgraFlora's Sanna Health / Sustainable Growth Strategic facility (Scarborough, Ontario) is situated on 16 acres and includes 27,000 square feet of Health Canada licensed cultivation and processing space. It includes an option to expand its current production area to 89,000 square feet and ample

commercial-industrial space for future expansion. With a planned farm-gate location, the Issuer looks to capitalize on its prime proximity to a 7 million population in the GTA and immediately surrounding areas.

The Issuer's planned on-site AAA Heidelberg (London, Ontario) dispensary will allow AgraFlora to capitalize on a 1.5 million-purchaser catchment area within a 90-minute radius. London, Ontario, is Canada's 11th largest metropolitan area and is tactically located at the nexus of Toronto, Ontario, Detroit, Michigan, and Buffalo, New York; affording the Issuer a lucrative opportunity to capture a significant portion of the cannabis tourism marketplace.

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 Issuer has not entered into a new business relationship with any Related Party.

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**	**Issuance of 1,250,000 common shares at a deemed price of $0.175 per common share pursuant to a letter of intent.**	**N/A**
Common Shares	**3,000,000**	**Issuance of 3,000,000 common shares at a deemed price of $0.175 per common share pursuant to milestones achieved.**	**N/A**
Convertible Debentures	**30,000**	**Issuance of 30,000 convertible debentures at a price of $1,000 per debenture for gross proceeds of $30,000,000.**	**General working capital and ongoing expenditures at Delta facility and Winnipeg facility.**

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: **January 6, 2020**.

Brandon Boddy
Name of Director or Senior Officer

"Brandon Boddy"
Signature

Chairman, CEO & Director
Official Capacity

Issuer Details Name of Issuer **AgraFlora Organics International Inc.**	For Month End **December 2019**	Date of Report YY/MM/D **20/01/06**
Issuer Address **Suite 804 – 750 W. Pender Street**		
City/Province/Postal Code **Vancouver, BC V6C 2T7**	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**
Contact Email Address **ir@agraflora.com**	Web Site Address **www.agraflora.com**	